AGRICULTURAL FINANCE REVIEW

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A SEMI-ANNUAL REVIEW OF CURRENT DEVELOPMENTS AND RESEARCH IN THE FIELD OF FARM CREDIT, FARM INSURANCE, AND FARM TAXATION

UNITED STATES DEPARTMENT OF AGRICULTURE
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LIST OF AVAILABLE PUBLICATIONS AND REPORTS,
RELATED TO AGRICULTURAL FINANCE, PREPARED IN THE
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Title	Series and number	Date issued
Printed Bulletins:		
Agricultural Loans of Commercial Banks	U. S. D. A. Tech. Bul. 521	1936
Federal Seed-Loan Financing and its Relation to Agricultural Rehabilitation and Land Use	" " " 539	1936
Demand Deposits of Country Banks	" " " 575	1937
Farmer Bankruptcies, 1898-1935	" Cir. 414	1936
A Graphic Summary of Farm Taxation	" Misc. Pub. 262	1937
A Graphic Summary of Agricultural Credit	" " " 268	1938
A Suggested Plan for Cotton-Crop Insurance	House Document No. 277, 76th Congress, 1st Session	1939
Country Banking in Wisconsin During the Depression	U. S. D. A. Tech. Bul. 777	1941
Bulletins Published in Cooperation with State Experiment Stations:		
Farm Credit in North Carolina - Its Cost, Risk and Management	N.C. State Exp. Sta. Bul. No. 270	1930
Agricultural Finance in South Carolina	S.C. State Exp. Sta. Bul. No. 282	1931
Bank Failures in Arkansas (limited supply)	Ark. State Exp. Sta. Bul. No. 315	1935
Bulletins Published in Cooperation with Other Bureaus:		
Fire-Protective Construction on the Farm	U. S. D. A. Farm. Bul.1590	1938
Safe Use and Storage of Gasoline and Kerosene on the Farm	" " " 1678	1938

Processed Reports and Releases:

Effect of the Seasonality of Agriculture on Iowa Banking	Aug. 1932
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The Agricultural Situation in Relation to Banking, Vol. I, Nos. 1, 2, 3, and 4 ... Jan., Apr., July,	Oct. 1941
Agricultural Loans (Individual State Reports)	1941
Farm Property Taxes and Their Relation to Parity Determinations	Nov. 1941

For list of articles in recent issues of the Agricultural Finance Review, see inside of back cover.

RECENT PUBLICATION

The Bureau of Agricultural Economics has recently published Technical Bulletin No. 777, "Country Banking in Wisconsin During the Depression," presenting the results of a study made by the Bureau of Agricultural Economics in cooperation with the Wisconsin Agricultural Experiment Station. The bulletin outlines banking developments in Wisconsin, 1930-36, showing the number of banks suspending payments to depositors, changes in volume and status of deposits, and changes in capital structures of banks. Country-bank loans and investments are analyzed from the standpoint of principal types made and held on various dates, and examiners' classifications. The banks' experience with different types of loans and investments is shown. Changes in the financial condition of country banks, in their assets and liabilities, their earnings, expenses, and losses, and in examiners' appraisal of their conditions are discussed. Measures for strengthening banks are considered and certain changes are proposed by the author in methods of appraising conditions of banks and in banking policy.

A copy of the bulletin may be obtained, without charge, by writing to the Bureau of Agricultural Economics.

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GOALS IN AGRICULTURAL FINANCING FOR DEFENSE

Fred L. Garlock 1/

Despite striking differences in many basic conditions, economic developments in this country since 1939 have been strongly reminiscent of developments during the first 2 years of the World War. Our industries have been turning rapidly to armaments production; wages, employment, prices, and cost of living have been moving upward; and urgent needs for more production, both in agriculture and other industries, have developed. Moreover, the economic position of farmers has been improved greatly by the more rapid increase of farm prices than of industrial prices, farm real estate values have been strengthened, and the volume of credit used by farmers for production has risen. The same things happened during the World War.

It does not follow necessarily that the present war and our own defense program will be accompanied from this time on by a credit and price inflation such as that which occurred from 1916 to 1920, or that a restoration of peace would bring another collapse such as that following 1920. But the similarities between the first 2 years of the present war and the corresponding period of the World War suggest strongly that vigorous effort will be needed to control credit and price inflation. A long view must be taken during the period of defense to assure the least practicable disturbance in the shift from a wartime to a peacetime economy, when that transition becomes possible.

For these reasons it seems advisable for farmers and the credit institutions that finance farmers to take stock of the credit requirements that are likely to develop from the defense program and to consider how these may be met without needlessly increasing the costs and risks that are implicit in this program. In all such questions there are bound to be many differences of opinion, and experience may later prove that any conclusions reached now are based on wrong premises. But it is better to try to chart a course than to proceed without plan. The following views are offered in the hope that they will lead to further thought and suggestion on these important questions.

1/ Senior Agricultural Economist.

Farm Credit Needs

The goals fixed by the Secretary of Agriculture for agricultural production in 1942 involve two defense requirements that will increase the need for agricultural credit (table 1). For one thing, these goals call for an increase in agricultural production of about 2 percent over production in 1941, which would raise agricultural production to a level about 13 percent above the 1935-39 average (table 2). Agricultural production has been increasing since 1938 and may continue to increase for some time after the war ends. The need for increasing production arises from the growth of our domestic consumption, resulting largely from expanding employment and rising wage levels, and from increasing export demands, at present largely to meet British requirements.

But a more important feature of the goals, from a credit standpoint, is that they call for substantially increased production of certain products, such as pork, beef, milk, cheese, eggs, soybeans, and fresh vegetables, and a substantial decrease in wheat acreage. The emphasis placed upon the production of livestock and livestock products reflects a need paralleling that of the World War when a marked increase in livestock numbers occurred. As livestock production requires a relatively large capital investment, a considerable demand may be anticipated for credit to purchase livestock, to hold young stock for breeding, and to improve facilities for livestock care. More credit to buy feed will also be needed. Credit requirements are likely to be increased even in areas where the major crop is reduced if the reduction is accompanied by a shift to greater production of livestock.

It is impossible to foretell how much additional credit will be needed to meet the production goals for 1942, not to speak of those that may be fixed for later years. But a clue to the trend may be found in the fact that the production credit outstanding to farmers from commercial banks and production credit associations appears to have increased about 15 percent during 1939-40 and about 10 percent during 1940-41. The increase of production credit during 1939-40 reflected substantial increases in the volume of agricultural production and the number of animal feed units, particularly cattle, on farms. Prices paid for commodities used in farm living and production remained almost constant. During 1940-41 the increase seems to have resulted mainly from increased costs of items entering into farm living and production, increased purchases of farm machinery, and increased numbers of cattle on farms.

The greatest potential source of need for agricultural credit to be used in production is an upward trend in the prices of commodities entering into farm living and production. Although considerably increased credit needs will develop if there are substantial further increases in agricultural production or in the machinery and livestock on farms, it does not appear that any very serious problems will arise from the credit expansion necessary to meet probable increases in these lines alone. But if the prices of farm machinery, livestock, and commodities used in farm living and production should increase as they did in the World War, an immense increase in agricultural credit and farm debts for production would seem inevitable. Rising prices were the principal cause of the expansion of short-term farm debts during the World War.

Table 1.- Farm goals, 1942

Commodity		Estimated, 1941	1942 goal or expected production
Milk	Lbs.	116,809,000,000	125,000,000,000
Eggs	Doz.	3,676,000,000	4,000,000,000
Hogs	No. slaughtered	71,000,000	79,300,000
Beef and veal	do.	25,100,000	28,000,000
Chickens	do.	680,000,000	750,000,000
Lamb and mutton	do.	22,400,000	22,900,000
Corn	Acres	87,363,000	87½ to 90 millions
Oats	do.	38,197,000	About 40,000,000
Barley	do.	14,813,000	14¼ to 14½ millions
Grain sorghums	do.	9,285,000	9¼ to 9½ millions
All hay	do.	73,933,000	74 to 75 millions
Cotton	do.	23,519,000	22 to 24 millions
Wheat	do.	63,503,000	50 to 55 millions
Tobacco:			
Flue-cured	do.	747,700	About 762,000
Burley	do.	363,900	About 358,000
Other domestic	do.	264,900	About 247,000
Peanuts, threshed	do.	1,908,000	1,600,000 for nuts 1,900,000 for oil 1/
Soybeans for beans ...	do.	5,550,000	7,000,000
Flaxseed	do.	3,228,000	Same as 1941
Cane sugar	do.	285,000	No limit expected
Beet sugar	do.	800,000	No limit expected
Rye (harvested)	do.	3,436,000	Same as 1941
Rice	do.	1,186,000	1,200,000
Dry beans	do.	2,220,000	Same as 1941
Potatoes	do.	2,988,000	About 3,060,000
Sweetpotatoes	do.	843,000	About 850,000
Commercial vegetables:			
Fresh use	do.	1,843,000	1,935,000
Processed	do.	1,487,000	1,500,000
Farm gardens	No.	4,431,000	About 5,760,000
Citrus fruit	Tons	5,200,000	Since production cannot
Deciduous:			be quickly increased
Fresh use	do.	2/ 9,600,000	emphasis will be on bet-
Canned	Cases	33,000,000	ter distribution and
Dried	Tons	600,000	prevention of waste
Lumber	Bd.ft.	31,500,000,000	32,000,000,000
Pulp wood	Cords	15,000,000	15,800,000
All other wood	Cu.ft.	5,850,000,000	6,100,000,000
Naval stores, turpentine	Bbls.	285,000	400,000

1/ In addition to peanut acreage allotments.
2/ Total fresh production for all uses, except that noncommercial apples are not included.

Table 2.- Trends of important agricultural items during World War and present war
(World War base, 1910-14 = 100)
(Present war base, 1935-39 = 100)

Item	War period					Post-war boom	
	1914 1939	1915 1940	1916 1941	1917 1942	1918	1919	1920
Volume of agricultural production for sale and home consumption:							
World War	104	104	100	103	108	109	111
Present war	107	110	1/111	2/113			
Prices paid by farmers for commodities used in production:							
World War	102	106	119	161	184	196	193
Present war	96	98	3/101				
Prices paid by farmers for commodities used in living:							
World War	102	104	114	141	172	201	231
Present war	98	98	3/105				
Animal feed-consuming units on farms Jan. 1:							
World War	101	108	112	111	116	117	115
Present war	104	113	108				
Number of cattle on farms, Jan. 1:							
World War	103	111	117	123	127	125	122
Present war	99	102	107				
Value of automobiles, trucks, tractors, and other machinery purchased by farmers:							
World War	107	121	130	181	177	262	273
Present war	99	125					
Farm real estate values, March 1:							
World War 4/	103	103	108	117	129	140	170
Present war	101	102	104				
Personal and collateral loans to farmers by commercial banks and Federal agencies: 5/							
World War 6/	114	119	132	158	179	210	273
Present war 7/	107	123	135				
Farm-mortgage debt, Jan.1:							
World War	119	127	133	148	166	181	214
Present war	95	93	92				

1/ Estimated. 2/ Goal. 3/ June. 4/ 1912-14 = 100. 5/ Excludes relief and rehabilitation loans and commodity loans made or guaranteed by Commodity Credit Corporation. 6/ Average loans outstanding during year. 7/ Loans outstanding on June 30.

So far as the defense program is concerned, credit for production is the primary financing need of agriculture. As is always the case, however, a considerable volume of credit will be needed to finance the real estate transfers resulting from the death or retirement of present owners and to finance other transfers necessary to place farm land in capable, willing hands. But the farm-mortgage debt has been declining with only minor interruption for nearly 20 years despite such transfers, and it does not appear that any considerable increase in mortgage credit will be required to make the transfers needed during the defense period unless farm real estate values should rise substantially. The crushing mortgage debts carried by farmers into the period of readjustment, following 1920, appear to have arisen principally from transfers of farm land on a rapidly increasing price level.

Those familiar with the World War period, and the period immediately following, will recall that farm debts of no inconsiderable amount were incurred for purposes unrelated to our war efforts. This was true particularly during the interval between the armistice and the depression following 1920. Many farmers then borrowed large amounts to purchase "blue-sky" stocks, purebred livestock, and automobiles, or to make expensive improvements on their farms. Such borrowing often served no necessary purpose; it reflected the farmer's sense of prosperity and his relief from wartime sacrifices. But it contributed heavily to his later difficulties. Credit demands of this character, as opposed to essential credit needs, are not to be overlooked as a possibility in the years to come.

Financing Agricultural Production

The primary goal in financing agricultural production must be, of course, to provide abundant supplies of the products needed in our defense program, whether for our domestic population or for the populations of other countries that are receiving our assistance. But there may properly be other, even though subordinate, goals. It would seem desirable, for example, that increased production be obtained, as far as possible, from the more efficient producers, so that the costs of increasing production may be held to a minimum. This is a vital step in the fight against inflation, as demands for increasing prices often are based on rising costs of production. It would also seem desirable that increased credit for production should be confined, as far as possible, to those who can incur increased debts without risk of suffering crushing losses if the prices of farm products should decline. This, likewise, is a vital step in holding down defense costs, for such costs will include not only the outlays incurred during the defense period but also those required to relieve the post-defense needs of families who may lose their means of support as a result of the disarrangements caused by the defense program.

Adoption of these goals would not alter, but would merely emphasize, the essentials of good borrowing and lending practice. It seems important, however, that such essentials should receive special emphasis in times like these when higher prices are creating a favorable outlook for the near future that may distort judgment as to the long future. Such essentials may

contribute, moreover, to the effective marshaling of our resources for defense and to a more equitable distribution of the cost of defense. The more that production can be guided into the hands of efficient producers, the more effectively will our resources be used, and if the risks involved in credit expansion can be so distributed that few will sustain crushing losses, the ultimate cost of defense will be more equitably distributed than if a few profit handsomely while many are ruined by their debts.

In attempting to apply the principles underlying such goals, many different problems will arise and each specific case will present these problems in different forms. The variety of the problems and their forms is so great that there would be little point in trying to suggest applications for possible individual cases, but a few general situations may be outlined.

Consider, for example, the cases of certain farmers who may wish to expand their cattle-feeding operations. They may be efficient cattlemen and good credit risks. The only questions may concern the number, quality, and weights of the cattle they should buy and the amounts of credit they should use. Ultimately, however, these questions resolve themselves into a question of the risks which these farmers would be justified in assuming.

Many farmers would consider themselves justified in assuming very large risks if they felt that there were also prospects for very large gains; and many lenders would regard this matter as one for the farmers to decide for themselves provided ample security were offered for the loans. But are these proper approaches to such a question? Granted that the farmers might profit handsomely if all turned out well, it must be recognized that an unfavorable turn in the markets might leave them with a burden of debt that could easily handicap them seriously for years. The handicap would not only be felt in the drain on their incomes caused by interest and principal payments, but it might take the form of a depletion of assets and borrowing power that would prevent them from operating their farms efficiently. Surely these risks should be taken seriously into account by farmers; and lenders must have some responsibility to see that their borrowers do not over-extend themselves.

Another kind of situation may confront farmers and lenders in areas where defense requirements may make it profitable, temporarily at least, to introduce substantial changes in the type of farming, such as a shift from wheat or cotton to more beef or dairy cattle. In such cases it would seem advisable to consider not only present defense needs and present opportunities for profit, but also the long-time outlook for both the current and the proposed types of farming. This is particularly important when a change would involve considerable capital investment that could be recovered only over a period of years.

If the existing type of farming has been unprofitable - if markets have been lost or the soil has been seriously depleted - there may be excellent reasons for making a change during the defense period. Urgent defense needs would constitute an impelling reason. But care should be observed in expanding production, or in making a large capital investment, in

lines that may prove no more profitable than the existing type of farming when the defense period is over. The risks of such an expansion could hardly be justified except in cases where defense needs were urgent. Moreover, there may be special hazards arising from the unfamiliarity of farmers in such areas with the proposed new type of farming.

As a general rule it would seem that defense needs for increased production can be met most efficiently, and at the least ultimate cost, if costly expansion is distributed among experienced producers in such way as to avoid excessive risks on the part of any. By use of more intensive methods and by increasing quickly recoverable outlays for current operating expenses, such producers can expand production at far less risk than can farmers who may have to make a large capital investment in order to enter the field. This is not to say, however, that it may not prove desirable, from the standpoint of both current defense needs and the long-run interest of farmers, for substantial changes to be made in the type of agriculture practiced in some areas, provided a shift is made to products that are urgently needed, will better conserve the soil, or have a more favorable long-run outlook than the existing type of farming.

Financing Farm Real Estate Transfers

Among the lessons from the World War and immediate post-war period that merit careful observance, is the fact that farmers and lenders should be wary of land values that reflect a war-stimulated increase in farm income. During 1914-20, rising farm incomes were translated into higher land values, and a speculative land boom developed in many areas before the increase of farm income ended. This land boom gave rise to an immense increase in farm debt which has been a constant source of difficulty ever since.

A moderate advance of land values from the levels of recent years may be needed to place farm land in the most capable hands, but farmers and lenders alike should be extremely careful, if land values rise substantially. Financing farm real estate transfers has relatively small importance from the defense standpoint and could easily be associated with the gravest of dangers for both farmers and lenders. It would be advisable to apply, as far as practicable, the "normal value" concept in appraising farm lands during the defense period. Should land values move strongly upward, however, it will become more and more important that land purchases be confined to farmers who have the financial strength to survive the substantial losses that probably would develop if land values and farm income should later decline.

Credit for Consumer Purchases

Paragraph 5 of the Foreword to Regulation W on consumer credit adopted August 21 of this year by the Board of Governors of the Federal Reserve System reads as follows:

The public interest requires control of the use of instalment credit for financing and refinancing purchases of consumers' durable goods the production of which absorbs resources needed for national defense, in order (a) to facilitate the transfer of productive resources to defense industries, (b) to assist in curbing unwarranted price advances and profiteering which tend to result when the supply of such goods is curtailed without corresponding curtailment of demand, (c) to assist in restraining general inflationary tendencies, to support or supplement taxation imposed to restrain such tendencies, and to promote the accumulation of savings available for financing the defense program, (d) to aid in creating a backlog of demand for consumers' durable goods, and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period.

It is clear from this paragraph that the regulation is intended to curb spending for nonessential, although ordinarily desirable, purposes. This regulation is but one of a growing number of measures taken to conserve resources for the defense program by limiting their use for other purposes. It is noteworthy that the regulation looks not only to the immediate, or developing, needs of the defense program, but beyond to the conditions that may prevail in the post-defense period.

No one, nor all, of these measures can possibly cover by legal definition the full scope embraced by the spirit of the measures. It remains for the individual to catch the spirit and to observe voluntarily many restraints that are not imposed by law or regulation. Thus farmers will often consider expenditures, and lenders will receive requests for credit, that ought to be greatly curtailed in the public interest even though the prospective purchaser is in good financial condition and there are no laws or regulations that forbid the expenditure. Although forward buying of consumption goods may appear the only way that some farmers can protect themselves against price increases, it probably will be in the long-run interest of most farmers, at least those in comfortable circumstances, to restrict consumption during the defense period, to avoid unnecessary debts, and to save their money for the time when farm income may be lower.

Repayment Policies

The reasons for this conclusion will appear from consideration of another aspect of credit policy - the repayment of debts. During the World War and, apparently, during most other periods of rising prices, farmers have increased their debts and have left debt liquidation to periods when farm prices and incomes were lower. This policy has had extremely bad effects, both in creating acute distress among indebted farmers during periods of depression and in complicating the processes of recovery. It should be a goal of credit policy during the defense period to avoid these bad after effects insofar as may be possible.

It must be recognized, however, that substantial increases in certain types of credits and debts will probably be unavoidable. From 1914 to 1920 the cash outlays of farmers for operating expenses increased from $1,577,000,000 to $3,829,000,000. Moreover, cash outlays for other expenses, such as mortgage interest, taxes, wages and rents, and cash expenditures on

buildings and machinery, were so greatly increased as to raise total cash expenditures of farmers from $3,623,000,000 in 1914 to $7,913,000,000 in 1920. There can be no doubt that the rising volume of expenditures reflected mainly the increased operating costs and investment requirements of farming during the World War and immediate post-war years.

A similar trend is in effect at the present time. Cash farm operating expenditures increased from $2,382,000,000 in 1938 to $2,898,000,000 in 1940, and total cash expenditures increased from $4,945,000,000 to $5,680,-000,000. As many farmers do not have sufficient cash on hand to meet their increasing needs for immediate funds, it seems inevitable that the volume of production credit used by farmers will increase as farming costs and the investment in livestock and capital equipment rise. About the only thing that can be suggested with regard to such credits is that those for seasonal purposes be liquidated seasonally and that those for livestock, machinery, and other nonseasonal purposes be liquidated as rapidly as possible.

There probably will be opportunities, however, to reduce other types of debts. Despite increasing costs of production, farmers' net cash incomes increased from $2,427,000,000 in 1914 to $4,695,000,000 in 1920, owing to the rapid growth of gross cash income. From 1938 to 1940, net cash incomes of farmers increased from $3,185,000,000 to $3,444,000,000. Although these increases were needed in part - perhaps for the most part - to meet increased costs of living, it seems probable that increasing amounts were available for savings that might have been used to retire debts or to build up reserve funds. If farmers' net cash incomes continue to increase during the remaining part of the defense period, it may be possible either to restrict the growth of debts arising from production credit or to make substantial payments on other debts.

Past experience suggests, however, that these other debts are more likely to increase than to decrease. Mortgage debts seem certain to increase if land values should rise substantially and if farms should be transferred on easy credit terms. Moreover, the improved position of farmers resulting from increases in their incomes and in the value of their assets, will improve the security which they can offer for loans, and may influence some farmers and lenders to finance expenditures that will result in an unnecessary increase in farmers debts. If these situations and practices develop, there is little prospect of avoiding the debt difficulties that have developed after other periods of rising costs and prices.

This is why emphasis has been placed on the need to economize in expenditures for consumer goods and on the need for an extremely careful policy in financing land transfers. To substantially minimize debt expansion during the next few years it may be necessary to avoid all unnecessary debt, economize in personal expenditures, and apply savings to the liquidation of debt. Credit policies leading to those ends during the defense period might save farmers and lending institutions from serious difficulty at some later time.

CONTRACT INTEREST RATES ON FARM MORTGAGES RECORDED DURING MARCH 1941

A. R. Kendall 1/

Contract interest rates on farm real estate mortgages recorded in the United States during March 1941 averaged 4.94 percent. 2/ When compared with similar data for 1935 and earlier years, a continuance is indicated of the downward trend in interest rates paid for mortgage credit by farmers, which was in evidence from 1931 through 1935. The decline appears to have extended to all parts of the country and to all lender groups.

Geographic Distribution

As has been true in the past, farmers in the Southern and Western States are currently paying the highest rates on farm mortgages, while the lowest rates are in the North Central States. Average contract rates on mortgages recorded during March 1941 were above 6.0 percent in Georgia, Alabama, and Arkansas, and were above 5.5 percent in a number of the other Southern and Western States (table 1 and fig. 1). Kansas and West Virginia average rates were also above 5.5 percent, while rates were below 4.5 percent in Minnesota, Wisconsin, Iowa, and Illinois. By geographic divisions, the average contract rate is below 5.0 percent in the North Central States and 5.5 percent or above in the South Atlantic and Pacific States (table 2). Relative to 1931, rates on current mortgage recordings have declined least in the Atlantic and Pacific States - 15 percent - and most in the West South Central and Mountain States - about 25 percent.

1/ Assistant Agricultural Economist, Economic and Credit Research Division, Farm Credit Administration.

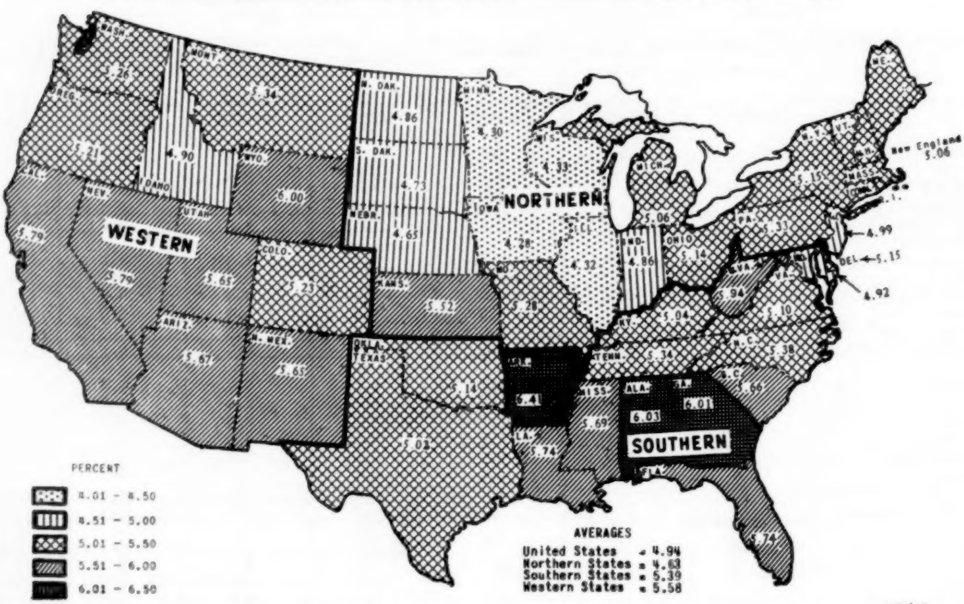
2/ Average contract rates on farm mortgages recorded during March 1941 presented herewith are based on approximately 10,000 recordings totaling $25,000,000 in 45 States reported to the Farm Credit Administration. No rates were obtained for Maine, New Hampshire, and Delaware; data for Vermont, Massachusetts, Rhode Island, and Connecticut have been grouped and reported under "New England." Where recordings but no interest rates were reported, common or average rates in neighboring States were assumed. This procedure was followed in the case of commercial banks and individuals in Delaware; insurance companies in Virginia, Wisconsin, Arizona, Utah, and Oregon; and Farm Credit Administration agencies in Arizona and Utah. Rates used for insurance companies in excess of 6 percent have been confirmed by supplementary inquiry. State class-of-lender rates are weighted by the amount of mortgages for which reported; State rates, all lenders, and United States rates were obtained by weighting the State class-of-lender rates by the estimated amount of farm mortgages recorded during the month. The rates for the Federal land banks and the Land Bank Commissioner are the contract rates on instruments recorded, which include loans through active and impaired national farm loan associations, direct loans, purchase-money mortgages, and sales contracts. Rates on regular Federal land bank loans were 4 percent, except on loans through farm loan associations whose stock was impaired when the rate was 4¼ percent and on loans made direct by the banks which carry a rate of 4½ percent. Contract rates on Land Bank Commissioner loans were 5 percent. Congress has provided that until July 1, 1942, borrowers shall pay 3½ percent on Land Bank Commissioner loans and Federal land bank loans made through active national farm loan associations, 3-3/4 percent on loans made through associations with stock impairment, and 4 percent on direct loans.

Table 1.- Average contract interest rates on farm mortgages recorded during March 1941, by class of lender and States

State and division	Maximum legal contract interest rate 1/	Average contract interest rates, March 1941 2/					
		Insurance companies	Commercial banks	Individuals	Federal land banks and Land Bank Commissioner 3/	Miscellaneous lenders	All lenders
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
New England 4/	-	5/	5.4	5.0	4.5	3.6	5.06
New York	6	6.0	5.5	5.1	4.5	4.8	5.15
New Jersey	6	5/	6.0	4.7	4.6	6.0	4.99
Pennsylvania	6	6/ 5.0	5.7	5.1	4.3	5.8	5.33
North Atlantic	-	5.2	5.6	5.1	4.4	5.1	5.20
Ohio	8	4.6	5.5	5.2	4.5	4.1	5.14
Indiana	8	4.5	5.5	5.2	4.6	4.1	4.86
Illinois	7	4.2	4.6	4.4	4.4	4.1	4.32
Michigan	7	4.4	5.8	4.8	4.3	3.6	5.06
Wisconsin	10	6/ 4.5	5.0	4.1	4.3	3.3	4.33
East North Central	-	4.3	5.2	4.6	4.4	4.1	4.62
Minnesota	8	4.2	5.0	4.1	4.4	3.6	4.30
Iowa	7	4.3	4.5	4.3	4.4	3.7	4.28
Missouri	8	5.0	5.7	5.6	4.5	4.8	5.28
North Dakota	7	4.7	5.1	4.5	5.0	5.6	4.86
South Dakota	8	4.6	5.4	4.8	4.5	4.7	4.73
Nebraska	9	4.5	5.1	4.7	4.4	4.0	4.65
Kansas	10	4.5	5.9	6.0	4.4	5.6	5.52
West North Central	-	4.4	4.9	4.7	4.4	4.2	4.56
Delaware	6	5/	6/ 5.5	6/ 5.0	5/	5/	5.15
Maryland	6	5/	5.3	4.7	4.3	5/	4.92
Virginia	6	6/ 5.0	5.3	5.3	4.9	3.0	5.10
West Virginia	6	5/	6.0	6.0	4.5	5/	5.94
North Carolina	6	6.0	5.9	5.9	4.3	4.2	5.38
South Carolina	7	5.0	6.6	6.2	4.7	5.0	5.66
Georgia	8	5.0	7.5	7.0	4.8	3.7	6.01
Florida	10	5.4	6.3	6.4	4.8	4.3	5.74
South Atlantic	-	5.6	6.1	5.9	4.5	4.1	5.50
Kentucky	6	4.5	5.7	5.3	4.6	3.2	5.04
Tennessee	6	4.7	6.1	6.1	4.4	3.6	5.34
Alabama	8	6.0	7.0	6.8	4.4	4.4	6.03
Mississippi	8	4.8	7.2	6.0	4.4	4.0	5.69
East South Central	-	4.7	6.3	6.1	4.5	3.7	5.44
Arkansas	10	5.0	7.6	6.9	4.3	4.6	6.41
Louisiana	8	5.0	6.6	6.9	4.3	4.5	5.74
Oklahoma	10	5.0	7.3	6.4	4.4	3.4	5.14
Texas	10	5.0	6.9	5.6	4.7	3.6	5.02
West South Central	-	5.0	7.1	6.2	4.6	3.8	5.29
Montana	10	5.0	5.9	6.2	4.6	3.1	5.34
Idaho	8	4.5	5.9	5.2	4.3	5.3	4.90
Wyoming	10	5/	7.7	5.9	4.5	5.4	6.00
Colorado	None	5.3	6.0	5.7	4.4	3.4	5.23
New Mexico	12	6.0	7.3	6.0	4.6	4.5	5.65
Arizona	8	6/ 5.0	5.6	6.1	6/ 4.8	6.6	5.67
Utah	12	6/ 5.0	7.6	5.0	6/ 4.8	4.5	5.65
Nevada	12	5/	5/	5.8	5/	5/	5.79
Mountain	-	4.9	6.5	5.8	4.6	4.8	5.44
Washington	12	4.5	6.1	5.3	4.4	5.3	5.26
Oregon	10	6/ 5.0	6.2	5.1	4.3	5.1	5.21
California	10	5.0	6.3	5.6	4.9	3.9	5.79
Pacific	-	4.8	6.3	5.5	4.8	4.5	5.67
UNITED STATES	-	4.46	5.66	5.17	4.50	4.10	4.94

1/ Rand McNally Bankers Directory.
2/ Based on 10,000 farm mortgages recorded in local registry offices, as reported to the Farm Credit Administration by secretary-treasurers of national farm loan associations, county officials, and others.
3/ Averages reflect varying contract rates and relative amounts recorded, as association and direct Federal land bank loans, Commissioner loans, purchase-money mortgages, etc.
4/ No interest rates reported for Maine and New Hampshire.
5/ No mortgages reported.
6/ No interest rates reported. Rate shown is based on rates in neighboring States.

Figure 1. - AVERAGE CONTRACT INTEREST RATES ON FARM MORTGAGES RECORDED DURING MARCH 1941



Source: Based on 10,000 farm mortgages recorded in local registry offices, as reported to the Farm Credit Administration by secretary-treasurers of national farm loan associations, county officials, and others.

FARM CREDIT ADMINISTRATION — ECONOMIC AND CREDIT RESEARCH DIVISION

Table 2.- Average contract interest rates on farm mortgages recorded during March 1941 and comparison with earlier years, by geographic divisions 1/

Geographic division	1941 (March)	1935	1931	1921
	Percent	Percent	Percent	Percent
New England	5.06	5.26	5.90	5.94
Middle Atlantic ...	5.23	5.30	5.90	5.82
East North Central	4.62	5.10	5.98	6.31
West North Central	4.56	4.99	5.83	6.68
South Atlantic	5.50	5.87	6.53	6.82
East South Central	5.44	6.08	6.61	6.80
West South Central	5.29	6.18	7.20	7.95
Mountain	5.44	5.72	7.20	7.96
Pacific	5.67	5.82	6.71	7.05
United States ..	4.94	5.43	6.38	6.95

1/ Data for 1935 and earlier years from "Average Rates of Interest Charged on Farm Mortgage Recordings of Selected Lender Groups," U. S. Department of Agriculture, Bureau of Agricultural Economics (mimeographed), November 1940.

Contract interest rates on farm mortgages recorded during March 1941 were one-fourth higher in the Pacific States - the highest-rate area - than in the West North Central States - the lowest-rate area. Loan experience, as measured by foreclosure sales of farm real estate, has been better in the Pacific States the past 6 years and the average size of loans made considerably larger.3/ Consequently, it would appear that factors other than risk and cost of making and servicing loans are involved in explaining the differences, insofar as these factors are reflected by forced sales and size of loans. Probably the degree of specialization practiced on individual farms and the wide variation in types of farming make farm loans in the Pacific States relatively less attractive to institutional lenders.

Interest Rates Charged by Different Classes of Lenders

Commercial banks are currently charging the highest average rate of interest for farm-mortgage credit. The contract rate on mortgages recorded by this class of lenders during March 1941 averaged 5.66 percent, compared with 5.17 percent for individuals, 4.50 percent for the Federal land banks and Land Bank Commissioner combined, 4.46 percent for insurance companies, and 4.10 percent for a group of miscellaneous lenders.

Since 1931, the average of rates charged by commercial banks has declined 17 percent, by insurance companies 24 percent, by individuals 18 percent, and by the miscellaneous group of lenders 37 percent (table 3). The contract rate on Federal land bank and Land Bank Commissioner loans combined is 19 percent lower than the average rate on land bank loans in 1931.

Table 3.- Average contract interest rates on farm mortgages recorded during March 1941 and comparison with earlier years, by class of lender

Class of lender	1941 (March)	1935	1931	1921
	Percent	Percent	Percent	Percent
Commercial banks	5.66	6.28	6.86	7.57
Insurance companies	4.46	5.53	5.85	6.50
Individuals	5.17	5.74	6.27	6.73
Federal land banks and Land Bank Commissioner ..	4.50	4.73	1/ 5.54	1/ 5.94
Miscellaneous	4.10	6.01	6.47	7.32
All lenders	4.94	5.43	6.38	6.95

1/ Land bank loans only.

3/ Unpublished estimates by the Farm Credit Administration indicate that 188 foreclosures per 1,000 farms mortgaged January 1, 1935, occurred in the West North Central States from 1935 to 1940, compared with 67 foreclosures per 1,000 farms in the Pacific States. The same source indicates the average size of farm mortgages recorded during the same period was $2,500 in the West North Central States and $3,400 in the Pacific States.

In evaluating the differences in rates charged by various classes of lenders, consideration must be given to the type of credit advanced. Because of the wide scope of financial services to farmers by commercial banks, it is to be expected that commercial bank rates should average somewhat higher than those for other lenders. However, there seems to be a tendency for rates charged by individual banks to be uniform regardless of risk or cost of making and servicing loans. In many States this rate tends to be the legal maximum. More than 40 percent of the mortgages recorded by banks in the United States during March 1941 were written at the maximum contract rate allowed by the laws of the various States, whereas this top rate was charged on less than 2 percent of the insurance company loans and on less than 30 percent of the mortgages recorded by individuals. In the Southern States nearly 80 percent of the mortgages recorded by banks specified the maximum legal rate.

The average interest rate charged by individuals is lower than that charged by banks, but this is because of new aspects of credit which enter the picture rather than because individuals charge lower rates for similar services. Intra-family credit, which often is extended at low rates or even at no interest, is important in this group of lenders and is a factor in bringing down the average. It is also probable that purchase-money mortgages, which originate in the sale of farms, are often made by individuals at lower-than-customary rates.

Insurance companies lend on farm land to invest surplus funds and reserves, and interest rates charged by them are largely dependent on returns that can be expected from other types of investments, as well as the cost of making and servicing the loans. Since large loans can be made and serviced more cheaply per dollar loaned than small ones, there is a tendency for loans to be made in areas where the value of the farm units is high. Similarly, loans made in comparatively compact areas are more easily and cheaply serviced than loans scattered over a wide area. These reasons, perhaps even more than the risks involved, have led the insurance companies to concentrate their loans in certain regions. It is only in the North Central States that these conditions exist over wide areas; hence, there you find the greatest concentration of loans by insurance companies.

Contract interest rates on loans made by the Federal land banks are, as in the case of insurance companies, largely determined by the state of the money market, since the rate charged is fixed by law at 1 percent above the interest rate paid on the last issue of bonds, with variations permitted under certain conditions. The last issue of Federal land bank bonds was in 1936. The contract rate on Land Bank Commissioner loans is fixed at 5 percent. Both in the case of these loans and of Federal land bank loans made through national farm loan associations, the effective rate to be paid is fixed by Act of Congress at 3.5 percent until July 1, 1942.

The 37-percent decline since 1931 in the average contract interest rate on mortgages recorded by lenders in the miscellaneous group reflects not only a decline in interest rates charged by the lenders included in that group but also indicates a change in the relative importance of the lenders. Currently, the Farm Security Administration, which makes tenant-

purchase loans at 3 percent, is probably the most important lender in the group, while mortgage companies, the joint stock land banks, and State rural credit agencies, which were active in 1931, are no longer important as sources of farm-mortgage credit. The average rate for this group is lowered further in some States by the inclusion of short-term loans made by production credit associations, some of which have real estate mortgages as part of their security.

Distribution of Interest Rates

The most common contract interest rate on farm mortgages recorded during March 1941 was 6.0 percent, nearly one-third of the mortgages bearing this rate. More than one-fourth were at 5.0 or 5.5 percent, and nearly one-fifth were at rates between 3.51 and 4.50 percent. Eleven percent of the loans carried rates of 8.0 percent, while 5 percent were at 3.5 percent or below. That 6.0 percent is the most common rate is largely explained by statutory regulation. It is the legal rate of interest in 39 States and is the maximum contract rate in 10 States, all of them in the East or South. In some States the statutory limitation is effective in keeping down the contract rate, although other charges may make the effective rate much higher. In North Carolina, where the maximum legal contract rate is 6.0 percent, 98 percent of the mortgages recorded by individuals and commercial banks during March 1941 were at 6.0 percent; whereas in Georgia, with a maximum rate of 8.0 percent, only 6 percent of the mortgages recorded by these lenders were at 6.0 percent, while 88 percent were at 8.0 percent. In Arkansas, with a maximum rate of 10.0 percent, 12 percent of the mortgages were at 6.0 percent and 51 percent at 10.0 percent. If the statutory limitations of 6.0 percent on contract rates were removed, particularly in the Southern States, apparently there would be less concentration at that rate. Table 4, which shows the percentage of mortgages recorded during March 1941 carrying the maximum legal rates, indicates the influence of statutory regulation.

Table 4.- Percentage of mortgages recorded during March 1941 carrying maximum legal rates, for selected lenders and by size of mortgage, by regions

Lender	Northern States	Southern States	Western States	United States
	Percent	Percent	Percent	Percent
Insurance companies ...	0.4	8.0	-	1.8
Commercial banks	14.3	78.8	7.6	41.4
Individuals	8.7	57.7	5.8	29.3
Size of Mortgage				
$1,000 and below	17.7	65.4	9.7	46.1
1,001 - $4,000	6.8	32.4	1.8	14.4
4,001 and above	1.6	16.1	3.9	4.7

Size of Mortgages

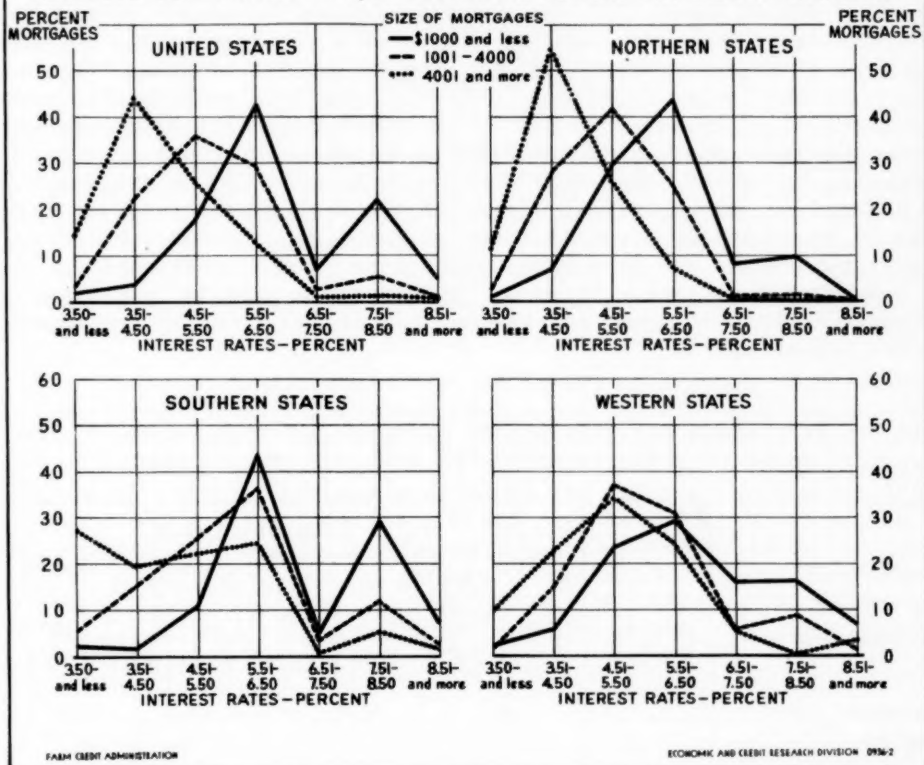
That the size of mortgages has a definite influence on farm-mortgage interest rates is shown in table 5 and figure 2. In the United States, 6.0 and 8.0 percent were the most common rates charged on mortgages of $1,000 or less recorded during March 1941, and accounted for nearly two-thirds of the mortgages in this size-group. Similarly, two-thirds of the mortgages from $1,001 to $4,000 carried rates of 5.0 and 6.0 percent, and seven-tenths of the mortgages above $4,000 carried rates of 4.0 and 5.0 percent, with the larger number of mortgages at the lower interest rate in each case. Stated another way, 76 percent of the loans for $1,000 or less, 38 percent of those between $1,001 and $4,000, and 15 percent of those above $4,000, carried contract interest rates of 5.5 percent or higher.

Table 5.- Percentage distribution of contract interest rates on farm mortgages recorded during March 1941, by geographic regions and size of mortgage

Region and size of mortgage	Estimated number of mortgages	Interest rates: 3.50 and less	3.51-4.50	4.51-5.50	5.51-6.50	6.51-7.50	7.51-8.50	8.51 and more	All rates
	Number	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Northern States:									
$1,000 and below	4,807	1.0	7.3	29.5	43.8	8.1	9.8	0.5	100.0
1,001 - $4,000	8,521	2.5	27.8	41.8	25.0	1.2	1.3	.4	100.0
4,001 and above	5,014	11.2	55.2	25.8	7.1	.3	.2	.2	100.0
Total	18,342	4.5	29.9	34.2	25.0	2.8	3.2	.4	100.0
Southern States:									
$1,000 and below	9,053	2.3	1.8	10.8	43.7	5.1	29.2	7.1	100.0
1,001 - $4,000	4,814	5.4	15.2	25.5	36.3	3.4	11.8	2.4	100.0
4,001 and above	1,434	27.2	19.1	22.1	24.4	.6	5.4	1.2	100.0
Total	15,301	5.6	7.7	16.5	39.6	4.1	21.5	5.0	100.0
Western States:									
$1,000 and below	1,199	2.3	5.9	23.5	29.2	16.0	16.3	6.8	100.0
1,001 - $4,000	1,817	1.6	15.0	36.9	31.0	5.6	8.7	1.2	100.0
4,001 and above	780	9.8	22.7	34.1	24.1	5.4	.4	3.5	100.0
Total	3,796	3.5	13.7	32.1	29.0	8.9	9.4	3.4	100.0
United States:									
$1,000 and below	15,059	1.9	3.9	17.7	42.6	6.9	22.0	5.0	100.0
1,001 - $4,000	15,152	3.3	22.3	36.0	29.3	2.5	5.5	1.1	100.0
4,001 and above	7,228	14.2	44.5	25.9	12.4	.9	1.3	.8	100.0
Total	37,439	4.9	19.2	26.7	31.4	3.9	11.3	2.6	100.0

FIGURE 2

PERCENTAGE DISTRIBUTION OF CONTRACT INTEREST RATES ON FARM MORTGAGES RECORDED DURING MARCH 1941, BY GEOGRAPHIC REGIONS AND SIZE OF MORTGAGE



The greatest differences in interest rates by size of mortgage appear in the Northern States, where a definitely different distribution is indicated for each of the size-groups selected. More than two-fifths of the mortgages for $1,000 or less are in the 6.0-percent class; two-fifths of those from $1,001 to $4,000 are in the 5.0-percent class; and more than half of the mortgages above $4,000 carry interest rates between 3.51 and 4.50 percent. In the Southern States, mortgages for $1,000 and less have a peak in the interest-rate distribution at 6.0 percent, with a secondary peak at 8.0 percent. In the $1,001 to $4,000 class the peak is still at 6.0 percent, but the 5.0-percent rate is next in importance. In the class over $4,000 the most frequent rate is 3.0 percent, which emphasizes the importance of Farm Security Administration tenant-purchase loans among the larger loans in this area. Next to the 3.0-percent class, 6.0 percent is the most frequent rate on the large loans. In the Western States there is a more uniform distribution among the interest-rate classes than in the other regions. This may be due in part to the fact that maximum legal contract rates are higher in this area than in the Southern States, permitting a wider variation in rates.

Type of Lender

More than three-fifths of the farm mortgages recorded by insurance companies during March 1941 had contract rates between 3.51 and 4.50 percent, and over 90 percent were at 5.5 percent or less (table 6). Loans by this type of lender averaged $5,250, and 88 percent of their loans were recorded in the Northern States. This explains to a considerable extent the concentration of loans above $4,000 in the 4.0-percent interest-rate class in the Northern States. Three-fourths of the farm mortgages recorded by commercial banks and three-fifths of those recorded by individuals were at 6.0 percent or above, with 6.0 percent the most common rate in each case. As is to be expected, contract interest rates on mortgages recorded by the Federal land banks and Land Bank Commissioner are concentrated in the 4.0- and 5.0-percent classes. Those at higher rates can be explained only as purchase-money mortgages, and re-recordings of existing mortgages which carried higher rates.

Table 6.- Percentage distribution of contract interest rates on farm mortgages recorded during March 1941, by type of lender

Lender	Estimated number of mortgages	Interest rates							
		3.50 or less	3.51-4.50	4.51-5.50	5.51-6.50	6.51-7.50	7.51-8.50	8.51 or more	All rates
	Number	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Insurance companies	3,392	0.8	63.9	29.3	5.7	0.1	0.2	-	100.0
Commercial banks .	11,565	.3	8.0	17.7	45.3	5.6	19.2	3.9	100.0
Individuals	14,316	3.3	12.3	24.2	38.9	5.0	12.7	3.6	100.0
Federal land bank and Land Bank Commissioner ...	4,854	-	43.1	56.2	.7	-	-	-	100.0
Miscellaneous	3,312	33.5	11.8	20.1	25.4	4.1	4.2	.9	100.0
All lenders	37,439	4.9	19.2	26.7	31.4	3.9	11.3	2.6	100.0

In the group of miscellaneous lenders, one-third of the mortgages recorded were at rates of 3.50 percent or less and one-fourth at 6.0 percent. The mortgages at the lower rate are largely long-term loans at 3.0 percent made to tenants through the Farm Security Administration. If these loans were eliminated, the distribution would be very similar to that for individuals.

AUTOMOTIVE TAXES AND THE FARMER

Gerhard J. Isaac 1/

Tax and license costs arising out of the ownership and use of motor vehicles have grown tremendously during the last three decades. During this period the rates of taxation have been increased and the number of vehicles in use has expanded greatly. The first form of automotive tax was the registration fee. The taxation of motor fuel was a later development which began in 1919 when four States enacted laws providing for levies on gasoline.

Payments by all motor vehicle owners on account of registration fees, licenses, and permits increased year after year without interruption until 1931. The payments exceeded 100 million dollars for the first time in 1920 and reached 355 million dollars in 1930. Despite a temporary decrease in the early thirties, payments exceeded 400 million dollars in 1939 and approached 440 million in 1940. Prior to the middle twenties the increases in revenues received by the States from these charges reflected the combined effect of increases in the number of vehicles and in the charges per vehicle. Since then the average charge per vehicle has been relatively stable, indicating that the principal determinant has been the number of vehicles in use.

The revenues from licenses and permits since 1929 have been exceeded by those from motor fuel levies. Gasoline taxes yielded the States about 1 million dollars in 1919 and over 860 million dollars in 1940. In only one year, 1932, did the State revenues fail to increase over the preceding year. Total gasoline tax collections, including the Federal levy since 1932, exceeded 1 billion dollars in both 1939 and 1940, and the aggregate for all jurisdictions combined has shown an increase in every year. These increases reflect not only the growth in the number of motor vehicles and the increased use possible because of improved highway facilities, but also the constant increase in the average tax rate per gallon.

A rate of 1 cent per gallon was used by 3 of the 4 States that began the taxation of gasoline in 1919, while the fourth used a 2-cent rate. By the end of 1929 all States and the District of Columbia were taxing gasoline, and the rates had increased to a point where 3 States were charging 6 cents, 20 the most common rate of 4 cents, and only 8 States were using a rate as low as 2 cents. Ten years later the highest State rate was 7 cents per gallon, the most common rate was still 4 cents, and in only 1 State and the District of Columbia was it 2 cents. In addition, in recent years there have been some local taxes on gasoline. Thus there are localities where the combined Federal, State, county, and municipal gasoline tax charge reaches 12 cents per gallon.

1/ Agricultural Economist.

Payments by Farmers

Farmers always have paid an important portion of the various automotive taxes. In 1919, farmers accounted for about 21 percent of the amount paid by all users and in 1939 about 11 percent. This decline in the proportion paid by farmers occurred despite the fact that in 1939 the dollar amount was more than 11 times what it was in 1919 (table 1). Payments for licenses and permits during this period increased from about 14 million dollars to more than 56 million dollars, while the increase in motor fuel taxes was from less than 200 thousand dollars to more than 100 million dollars.

Table 1.- Automotive taxes paid by farmers, 1910-39

Year	Licenses and permits	Motor fuel taxes			Grand total
		State	Federal	Total	
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
1910	337				337
1911	651				651
1912	1,073				1,073
1913	1,548				1,548
1914	2,364				2,364
1915	3,496				3,496
1916	4,955				4,955
1917	7,559				7,559
1918	11,129				11,129
1919	13,657	189		189	13,846
1920	20,946	340		340	21,286
1921	24,118	986		986	25,104
1922	27,459	2,106		2,106	29,565
1923	31,115	6,033		6,033	37,148
1924	36,084	11,612		11,612	47,696
1925	41,127	21,896		21,896	63,023
1926	45,446	28,209		28,209	73,655
1927	47,626	37,294		37,294	84,920
1928	50,310	42,680		42,680	92,990
1929	52,808	55,626		55,626	108,434
1930	55,092	63,108		63,108	118,200
1931	53,217	61,873		61,873	115,090
1932	49,831	56,895	8,953	65,848	115,679
1933	44,713	56,687	22,827	79,514	124,227
1934	44,815	60,586	18,821	79,407	124,222
1935	46,948	65,745	20,604	86,349	133,297
1936	50,830	70,570	21,438	92,008	142,838
1937	56,181	74,959	23,199	98,158	154,339
1938	55,702	76,057	23,354	99,411	155,113
1939	56,472	77,771	24,126	101,897	158,369

This increase in automotive taxes paid by farmers is due in part to the fact that during two of the last three decades motor vehicles on farms steadily increased year after year. Not until the economic distress of the early thirties made itself felt was there a cessation of this upward trend. But the recession in numbers at this time was only temporary, and at the end of the thirties the numbers of automobiles and trucks actually were somewhat higher than at the beginning. It is interesting to note that in the case of tractors the decrease in the early thirties was very slight, and at the end of the decade the number of tractors on farms was about 70 percent greater than at the beginning.

Although the number of farm automobiles has increased greatly, the number of nonfarm automobiles has increased even more. The number of automobiles on farms enumerated by the census in 1920 amounted to about one-fourth of the total registrations compared with less than one-fifth 10 years later and one-sixth in 1940. This may be interpreted to suggest that farmers took to automobiles sooner than did nonfarmers because of the great utility of the automobile to the farm business. It is probable that business use and joint business-pleasure use is of greater relative importance for farm than for nonfarm automobiles. As better highways were developed and nonfarmers had more opportunities and incentives to use automobiles, the relative proportion owned by farmers declined. The decrease in the proportion of the total population living on farms no doubt also was a minor factor.

Farm trucks and tractors are of strictly practical utility to the business of farming. The increase in the number on farms, therefore, reflects the general trend toward increased mechanization of farm operations. The usefulness of the truck in handling farm produce has been enhanced by the improvements in farm-to-market highways. Farm trucks increased in number at a more rapid rate than nonfarm trucks until the depression. Total truck registrations decreased during the depression but to a lesser extent than did the number of trucks on farms. Subsequently, total truck registrations increased to a point nearly one-third above that of 1930, while farm truck numbers reached a point only about one-sixth higher than in 1930.

Nature of the Estimates

The figures given for licenses and permits include the cost of operators' permits in addition to the license and registration fees for passenger automobiles and motor trucks.2/ They are derived by estimating separately for automobiles and trucks the average amount of these items per vehicle in each year and multiplying by the average number of vehicles on farms during the year. The motor fuel tax figures include Federal and State taxes on gasoline used in farm vehicles. The Federal gasoline taxes paid

2/ Most of the data relating to number of vehicles, license, and permit costs per vehicle and average annual fuel consumption per vehicle are taken from Income Parity for Agriculture, part II, Section 3, Purchases, Depreciation, and Value of Farm Automobiles, Motortrucks, Tractors and other Farm Machinery; and Section 4, Farmers' Expenditures for Operating Automobiles, Motortrucks, and Tractors.

were estimated by applying the rate in effect during the year to the total gasoline consumption in farm automobiles, trucks, and tractors. When the rate changed during the year an average was used, based on the portion of the sales made while each rate was in effect.

The estimate of State gasoline taxes paid by farmers is based on the amount of gasoline consumed in automobiles and trucks only. Tractor-used gasoline is excluded because most States have tax exemption or refund provisions for gasoline used for agricultural purposes such as operating farm tractors. The aggregate tax paid on tractor-used gasoline in those States without exemption is relatively insignificant and is probably more than offset by the tax evaded in other States through use in farm automobiles and trucks of gasoline purchased tax-free ostensibly for use in tractors.

In these estimates the average State tax rates applied to farm-consumed gasoline are somewhat higher than the average rates for all gasoline sold as computed by the Public Roads Administration. This is because the predominantly agricultural States tend to be among those having the higher tax rates per gallon. From this it might appear that the farmers' gasoline tax bill per vehicle is higher than that of nonfarmers. Actually this is not the case, as various surveys show that farmers as a class generally drive fewer miles per year and hence consume less gasoline per vehicle than nonfarmers. Average license costs per vehicle are also somewhat less for farmers than for others because the average age of farm vehicles tends to be higher than that of all vehicles in use and many State laws provide for reducing license fees for older cars.

Significance of the Automotive Taxes

Although the automotive taxes are of increasing importance to the farmer, the most important of the farm taxes still is the property tax. Automotive taxes, however, are looming larger and larger in the picture. In the last decade they have increased from an amount one-sixth as great as property taxes to an amount one-third as great. The decrease in farm property taxes during the depression thus has been offset to a significant extent by the steady increase in the automotive taxes. It should be noted in this connection that the new Federal use tax on motor vehicles imposed by the Revenue Act of 1941 will add some 25 million dollars to the farmers' automotive taxes.

The decreasing proportion of all automotive taxes paid by farmers has already been pointed out. It is interesting to note that in the case of both automotive and property taxes the proportion paid by farmers is very nearly the same, and in the last two decades has decreased to about the same extent. For example, automotive taxes paid by farmers decreased from 18 percent of the total in 1922 to 11 percent in 1939. Comparable figures for property taxes are 16 percent and 10 percent. This suggests that for each type of tax the proportion paid by farmers may be strongly influenced by the same basic economic factors. The general level and trend no doubt is affected by the proportion of the national wealth and national income in farmers' hands.

Throughout this discussion reference has been made to automotive taxes paid by farmers, and the question of the ultimate incidence of the taxes has been avoided. The question of incidence is of particular interest with regard to the motor fuel taxes. The Federal gasoline tax, for example, technically is a manufacturer's excise tax paid by the producer or importer of gasoline. It has been included in the present figures, however, partly because of the common practice among retailers of listing it as a separate item along with the State tax when posting prices. Even the State gasoline taxes are not always consumer taxes. In possibly half the States the gasoline tax is a tax on the distributor, sometimes in the form of a privilege tax based on the amount of gasoline sold. As all Federal and State gasoline taxes are included regardless of the technical form in which levied, it might be somewhat more precise to say that the figures given represent motor fuel taxes arising out of the use of motor vehicles on farms and not necessarily the taxes actually paid by farmers. A study of the shifting and ultimate incidence of these taxes would require an analysis of alternatives to the use of automotive equipment or taxed fuels as well as analysis of other related and involved questions on many of which it probably would be impossible to get a consensus of opinion.

For present purposes it is sufficient to note that taxes arising out of the use of automotive equipment on farms are of increasing importance both in amount and relative to other taxes paid by farmers. In recent years the rates have been quite stable and most of the variation has arisen from changes in the use of automotive equipment. As far as the trend in the near future is concerned, it is not yet clear whether automotive taxes paid by farmers will continue to vary primarily with the use of motor vehicles on farms or whether additional variation will arise out of rate changes or the adoption of new taxes such as the Federal use tax.

State Tax Collections in 1941.- According to a preliminary report of the Bureau of the Census, taxes collected by State governments during their 1941 fiscal years will approach 4½ billion dollars, or 7 percent more than last year. This amount is an estimate based on returns from 37 States with fiscal years ending on or before June 30, 1941.

Outstanding among increased collections is the 17-percent rise in State income taxes over those reported for 1940. The yield of all types of sales taxes in 1941 increased by an estimated 9 percent. The increase in State gasoline taxes was also 9 percent. Increases in motor vehicle license and drivers' license taxes bring the total of collections from State taxes on automobile users in 1941 to an estimated $1,326,000,000.

RECENT DEVELOPMENTS IN CANADIAN FARM DEBT ADJUSTMENT

Oscar Zaglits 1/

Debt distress among Canadian farmers has arisen from conditions similar to those in the United States, viz., low prices, loss of export markets, and droughts. In both countries debt moratoria and debt adjustment have been employed in an effort to relieve the situations of farm debtors, but such measures have been used more extensively in Canada. This was the case particularly in the Prairie Provinces, where annual farm income during 1930-37 averaged only about one-fifth as large as during 1926-29.

As the debtor-relief measures employed in Canada have differed substantially from those used in the United States, it is desirable to review the Canadian experience. In so doing it must be borne in mind that, in comparison with the United States, relatively few facilities have been provided in Canada for refinancing the debts of heavily indebted farmers on liberal terms. This left the provinces and the Dominion the necessity of providing other forms of debtor relief. Before 1934 the relief afforded was chiefly in the form of provincial measures providing stay of legal action by creditors and trying to encourage voluntary debt adjustment. Since 1934, however, both the provincial and the Dominion governments have gone considerably further in their assistance to indebted farmers.

Provincial Debt-Relief Measures Prior to the Enactment of the Farmers' Creditors Arrangement Act

Provincial measures for the relief of distressed farmers have been confined, for the most part, to staying legal action by creditors and to encouraging voluntary debt adjustments because compulsory debt adjustment was considered reserved to Dominion legislation. A constitutional division of powers gives the provincial legislatures control over "property and civil rights" and the Dominion Parliament jurisdiction over "bankruptcy and insolvency."

Provincial debt-relief measures in the period after the first World War 2/ began with the establishment of debt adjustment agencies in Saskatchewan in 1921 and Alberta in 1922, and with the enactment in 1922 and 1923 of measures protecting resident farmers against legal proceedings in certain drought areas in Alberta. Owing to continued droughts and the depression of the early 1930's, these measures were broadened in scope and were expanded

1/ Agricultural Economist.
2/ Temporary protection to debtors was granted during the first World War when several provinces enacted moratorium laws as a result of wartime conditions and severe drought.

to cover entire provinces. Alberta provided in 1931 that upon application, protection from legal proceedings against the debtor's property should be granted to farmers not only in certain areas but in the entire Province. Manitoba and Saskatchewan passed laws establishing similar protection. In 1932 and 1933, all three Prairie Provinces shifted from the method of granting moratoria to distressed farm debtors only upon application to that of providing blanket protection for all farm debtors and requiring that the creditor obtain leave before taking action against the property of a farm debtor. The authority to grant such leave, which originally rested with the judges, was transferred to debt adjustment boards. Manitoba and Alberta granted such protection also to certain classes of nonfarmers.

British Columbia, Nova Scotia, and the Central Provinces protected indebted farmers and nonfarmers against legal proceedings with the mortgagors' and purchasers' relief acts of 1932-33. This protection, however, was given only under certain conditions with regard to the payment of taxes, fire insurance premiums, and interest, and could be invalidated by a decision of the court. New Brunswick and Prince Edward Island did not enact special debtor-protection laws.3/

One of the main purposes of the provincial measures taken in the 1920's and early 1930's was to achieve reductions in the farmer's debt burden through the encouragement of voluntary agreements between debtors and creditors; but these efforts apparently met with little success. Institutional creditors in particular were reluctant to agree to compositions because of their liabilities to depositors, bondholders, policyholders, and others. The result, according to G. E. Britnell, was that "nearly all provincial legislation with respect to farm debt .... has been in effect debt postponement legislation. Any debt-adjustment features of such legislation, in the Prairie Provinces at least, have been incidental to the main purpose of giving the farm-debtor a temporary 'security of tenure.'" 4/

The Farmers' Creditors Arrangement Act of 1934

Dominion action started with the Farmers' Creditors Arrangement Act of 1934, which according to section 2(2) "shall be read and construed as one with the Bankruptcy Act."

The Canadian Bankruptcy Act of 1919 provided that farmers could not be forced into bankruptcy, but permitted them to make a voluntary assignment of their property for the general benefit of their creditors. On the basis of such an assignment a debtor could seek relief through a composition which could become valid with the approval of the creditors, or even without approval, by decision of the court. For various reasons, these privileges have been used in only a few cases of farmer insolvencies. The procedure is relatively costly; according to competent estimates the appli-

3/ W. T. Easterbrook, Farm Credit in Canada, pp. 140-143.
4/ In a discussion on debt adjustment at the 1936 meeting of the Canadian Political Science Association; the Canadian Journal of Economics and Political Science, vol. II, 1936, p. 402.

cation of the act makes necessary an outlay of $200, "and a bankrupt farmer does not have $200." 5/ Moreover, the centers of bankruptcy administration often are far away from the property of the farmer. Finally, a farm operated by its owner is not only his business but also his home; it needs, therefore, a treatment different from that of a commercial or industrial enterprise. Yet, even in the case of the latter, the provisions of the 1919 Bankruptcy Act were considered inadequate to meet the insolvencies which resulted from the depression of the early 1930's, and the Companies' Creditors Arrangement Act of 1933 was passed to facilitate the enforcement of compositions for such enterprises.

The Farmers' Creditors Arrangement Act was enacted one year later to secure similar facilities for farmers "unable to meet their liabilities as they become due." (Sec. 6.) As distinct from the amended Bankruptcy Act - but conforming with the Companies' Creditors Arrangement Act - this act provided for compositions also where no previous assignment of the debtor's property had been made. If a proposal for a composition, extension of time, or plan of arrangement is made by a farm debtor, his property is placed under the authority of the court until the final decision is made.

According to its preamble, the act aimed "to retain the farmers on the land as efficient producers"; yet it also provided for the improvement of the position of the creditors. Whereas, under the Bankruptcy Act, the bankruptcy procedure could not be enforced upon farmers, under section 2(3) of the Farmers' Creditors Arrangement Act it now can be if, after an arrangement of the affairs of a farmer under this act, he fails to carry out any of its terms. Bankruptcy cannot be enforced on him, however, when such failure is due to causes beyond his control.

Arrangement of debts of insolvent farmers is handled by an administration consisting of a central office established in the Canadian Department of Finance, official receivers as local representatives, and a board of review in each province. This board consists of a chief commissioner, who ordinarily must be a judge, and two commissioners, one of them representing the creditor's interests and the other the debtor's interests.

The official receiver may assist farmers who desire an arrangement of their debts under the act in preparing the statements of their affairs and the proposals which they are required to file with this officer. Then the official receiver performs the duties and functions of a trustee under the Bankruptcy Act, convenes a meeting of the creditors, and tries to bring about a voluntary arrangement between them and the farm debtor. If these efforts fail, the board of review, upon request of the debtor or a creditor, may formulate an "acceptable proposal." The board shall base this proposal "upon the present and prospective capability of the debtor to perform the obligations prescribed and the productive value of the farm." (Sec. 12[8]). On the basis of this proposal, the board repeats the efforts to obtain a voluntary agreement between the debtor and his creditors, but "if the debtor

5/ R. McQueen, the Farmers' Creditors Arrangement Act, 1934. Canadian Journal of Economics and Political Science, Vol. I (1935), p. 105.

or the creditors decline to approve the proposal so formulated, the board may nevertheless confirm such proposal either as formulated or as amended by the board." (Sec. 12[6]). Such confirmation makes the proposal binding.

The operations under the Farmers' Creditors Arrangement Act have been completed in most of the provinces. At present the act is being applied only to farmers in Alberta and Saskatchewan, and to soldier-settlers in Manitoba.

Through March 31, 1940, 178,044 farmers were interviewed at the offices of the official receivers with the intention of making proposals under the act. The number of proposals actually submitted was 46,077, of which 41,430 were disposed of - 14,172 by the official receivers on the basis of voluntary agreements, and 27,258 by the boards of review. In addition, the official receivers arranged voluntary farm debt settlements in 4,671 cases without formal proposals. In 40,440 cases, for which detailed statistics have been obtained, the farm debts totaled 235 million dollars[6] (209 million secured, and 26 million unsecured), and the reductions effected totaled 85 million dollars (72 million secured and 13 million unsecured). The average debt of the farmers who submitted proposals amounted to $5,809 and the average reduction to $2,110, or 36.3 percent. The annual interest savings resulting for the debtors amounted to an average of $164 per debtor, or a total of 6.6 million dollars. The share of each province in these 40,440 debt settlements is shown in table 1.

Adjustment Measures in the Prairie Provinces After 1934

The Prairie Provinces continued their protective measures for distressed farm debtors despite Dominion action under the Farmers' Creditors Arrangement Act, and in the last few years have even increased the protection afforded to farmers. Their actions may be attributed partly to the recurrence of drought and partly to discontent over the limitations of the Dominion measures under the Farmers' Creditors Arrangement Act.

In Alberta the new debt relief legislation was influenced considerably by the philosophy of the Social Credit Party, which came to power in September 1935. Originally, protection was granted only for debts the consideration for which arose partly or wholly prior to July 1932. The Debt Adjustment Act of 1937 shifted this date to July 1, 1936.

The creditor who wishes to proceed against a debtor must obtain a permit; but section 8 of the act provides that "no permit shall be granted in respect of any proceedings founded on any mortgage or agreement for sale of lands which are being farmed, if those proceedings lead to foreclosure merely by reason of the fact that because of the depreciation in values caused by abnormal economic conditions the security cannot for the time being be sold to realize a price which is commensurate with its fair ordinary value under normal conditions." The creditor has to obtain a permit

6/ All amounts are in Canadian dollars.

Table 1.- Debt adjustment under the Canadian Farmers' Creditors Arrangement Act of 1934, from enactment through March 31, 1940

Province	Number of cases	Original debt			Reduction in debt		
		Secured	Unsecured	Total	Secured	Unsecured	Total
	Number	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Prince Edward Island	1,395	2,487	1,187	3,674	350	616	966
Nova Scotia	261	904	199	1,103	310	114	424
New Brunswick	1,347	2,267	442	2,709	851	204	1,055
Quebec	6,556	18,146	4,545	22,691	3,028	1,758	4,786
Ontario	11,254	45,334	5,939	51,273	11,383	3,001	14,384
Manitoba	3,912	23,198	3,151	26,349	9,432	2,171	11,603
Saskatchewan	8,192	66,542	6,194	72,736	25,797	2,951	28,748
Alberta	5,858	43,239	4,061	47,300	18,388	2,339	20,727
British Columbia ...	1,665	6,508	563	7,071	2,416	220	2,636
Dominion	40,440	208,625	26,281	234,906	71,955	13,374	85,329

Province	Percentage reduction of original debt			Average debt per case	Average reduction per case	Average annual interest reduction per case
	Secured	Unsecured	Total			
	Percent	Percent	Percent	Dollars	Dollars	Dollars
Prince Edward Island .	14.2	51.8	26.3	2,634	692	41
Nova Scotia	34.2	56.9	38.3	4,227	1,621	94
New Brunswick	37.6	46.2	39.0	2,011	783	55
Quebec	16.7	38.7	21.1	3,461	730	91
Ontario	25.1	50.5	28.1	4,556	1,278	101
Manitoba	40.7	68.9	44.0	6,735	2,966	227
Saskatchewan	38.8	47.6	39.5	8,879	3,509	234
Alberta	42.5	57.6	43.8	8,074	3,538	301
British Columbia	37.1	39.1	37.3	4,247	1,583	111
Dominion	34.5	50.9	36.3	5,809	2,110	164

Material supplied by courtesy of Mr. Charles A. Port, Director, The Farmers' Creditors Arrangement Act. Department of Finance, Ottawa, Ontario, Canada.

to proceed even if his debts have been adjusted through an agreement concluded with the intervention of the Provincial Debt Adjustment Board or under the Canadian Farmers' Creditors Arrangement Act. By the latter provision the enforceability of debt adjustment agreements, even when arranged under the authority of the Dominion of Canada, is made dependent upon the decision of the Provincial Debt Adjustment Board. The Provincial Debt Adjustment Act does not, however, apply to debts owing to the Canadian Farm Loan Board or to the Soldier-Settlement Board.7/

No permit to proceed can be obtained by the creditor if the debtor has obtained from the Board a certificate under the provisions of part II of the act and pays to the Board annually a sum equal to one-fourth of the gross value of the grain crops, the livestock, and the other products marketed by him. With regard to the distribution of such money, section 17(4) provides: "The Board may distribute the sum or sums received by it among the creditors of the resident debtor in such manner and in such amounts as the Board may deem fair and equitable, without regard to the legal or equitable rights of the creditors or any class of creditors or any creditor."

A decision of the Supreme Court of December 2, 1941 declared the Alberta Debt Adjustment Act of 1937 unconstitutional and beyond the power of enactment by the provincial legislatures.8/ When the invalidation of the Debt Adjustment Act became probable, the Alberta Government rushed through, in March 1941, not less than eight new debtor-protection acts, which - among other things - provided for various types of moratoria. One of these acts, the Orderly Payment of Debts Act, provides that a wheat grower may not be considered in default if he harvests less than 10 bushels of wheat per acre; or if he harvests not more than 15 bushels and turns over to his creditors 25 percent of the crop receipts; or finally, if he harvests over 15 bushels and turns over to his creditors 50 percent of such receipts.

In Saskatchewan a comprehensive plan for debt adjustment was established by an agreement concluded in 1936 between the provincial government and the Dominion Mortgage and Investment Association. The Dominion, provincial, and municipal governments were to grant large-scale cancellations of taxes and write-offs of relief loans, thereby improving the situation of the debtors as well as of their creditors, and the latter, in turn, were required to make certain concessions. Though the plan aimed principally at obtaining voluntary cooperation of the creditors, it was found necessary to make provision against the tendency of some creditors to profit from the wiping out of prior liens held by the Government without making concessions themselves. This was done by an amendment of 1937 to the Provincial Debt Adjustment Act which provided for a moratorium against creditors who declined to cooperate.

7/ The Soldier-Settlement Board was organized by the Dominion Government toward the end of the first World War to assist returned soldiers to settle on the land. In the main these settlements were completed in 1924, but in the following years other settlement projects were entrusted to administration of the Board. Altogether 25,000 soldier families and about 3,700 others have been established on the land with the help of the Board. (Cf. the Canada Year Book, 1940. Pp. 1065-1066.

8/ Several other laws enacted under the Social Credit Government, as the Reduction and Settlement of Debts Act of 1936, earlier met the same fate.

The plan distinguished between debt adjustment in the drought area, in the marginal area, and in the rest of the Province. Outside of the drought and marginal areas the principle of individual debt adjustment was maintained. In the drought area, comprising 174 rural municipalities and districts, this principle was abandoned in order to achieve a rapid scaling-down of the debt burden.9/ Farmers in this area were granted a blanket reduction of relief, tax, and mortgage indebtedness through the following concessions:10/

(1) Cancellation by the provincial and Dominion governments of all indebtedness for direct relief (food, fuel, clothing, etc.) and agricultural aid (seed, feed, fodder, tractor fuel, implement repairs, etc.) "incurred prior to January 1, 1935, and advanced during the previous 15 years."

(2) Cancellation by the provincial government and the rural municipalities of all tax arrears and penalties with the exception of a sum equivalent to the latest two full years' levies unpaid as of July 1, 1936 - the 1936 levy to be considered due at this date, although imposed later.

(3) Consolidation in a standard renewal agreement of the outstanding principal of mortgages and agreements of sale, plus any unpaid interest for the years 1935 and 1936. The renewal agreement was to provide for the repayment of the consolidated amount at a reduced interest rate of 6 percent over a period of 10 years, and for continued reduction of the creditors' rights to the collection of the proceeds of one-third of the crop during the years 1937, 1938, and 1939. Interest arrears prior to January 1, 1935 were to be cancelled.

In the rest of the Province, adjustments on an individual basis were to be made with reductions in interest rates to 6 percent, and 10-year extensions of time for the payment of the mortgages and agreements of sale. If a debtor did not want to agree to such voluntary adjustment he could present his claim for adjustment under the Dominion Farmers' Creditors Arrangement Act.

The main burden of this action rested upon the Dominion, provincial, and local governments. With regard to the private creditors, an article in the Toronto Financial Post of October 19, 1936 stated: "The wiping-out of prior liens held by governments and the easing of the burden of unpaid interest on the debtors have materially improved the position of the creditors, thereby compensating them for write-offs and the reductions which they granted."

9/ In the marginal area general adjustments evidently were made similar to those made in the drought area (cf. W. J. Waines, Prairie Population Possibilities, Ottawa, 1939. (Mimeographed) pp. 66f.

10/ A submission by the Government of Saskatchewan to the Royal Commission on Dominion Provincial Relations, Canada, 1937. P. 192.

A pamphlet of the Saskatchewan Liberal Association in Regina called "Debt Adjustment" 11/ gives the following figures as the result of the 1937 Debt Adjustment Program up to May 1938 and of earlier operations of this kind:

Tax cancellations	$23,107,958	
Tax credits	1,509,540	
Write-offs of relief and seed grain loans ..	32,135,545	
Cancellations and return of notes for direct relief and feed and fodder in 1931-32	12,678,171	
Write-off of accounts of the Natural Resources Department	9,184,817	
Total cancellations of taxes and relief loans		$78,616,031
Write-offs of principal and interest under mortgages and agreements for sale completed or nearing completion	28,312,690	
Sundry adjustments under the care of the Provincial Debt Adjustment Board and other adjustments in the nondrought area	3,753,544	
Adjustments under the Dominion Board	14,500,000	
Total of reductions of private debts		46,566,234
Grand total		125,182,265

In addition to these adjustments, further debt reductions are said to have resulted from other relief cancellations and from private adjustments made without reference to any governmental agency. Operations of the Dominion Board of Review and of the Provincial Debt Adjustment Board during the following years brought additional debt reductions of about 20 million dollars.

The effect of debt adjustment in Saskatchewan was nullified to a large extent by new increases in farm indebtedness caused by the crop failures and low prices of 1936, 1937, and to some extent, 1938. In spite of sizeable adjustments, the Saskatchewan farm debt declined by only 43 million dollars in 1937 and increased by nearly 60 million in 1938, according to estimates of Professor Hope and associates, as shown in the following tabulation. From the new top level Saskatchewan farm indebtedness did not decrease until the exceptionally good wheat harvests of 1939 and 1940 and the impact of the war improved the farm situation in the Province.

11/ This and other material has been received from Mr. R. Wilson, Secretary of the Saskatchewan Debt Adjustment Board. G. E. Britnell, The Wheat Economy, Toronto, 1939, gives a total of 88 million dollars for debt adjustments by Dominion and provincial agencies and private lenders made in the year 1937. Britnell, and Waines (Ibid., pp.69f) do not seem to include the cancellation of notes (12.7 million dollars) nor the write-off of the National Resources Department (9.2 million dollars).

Year	Estimated indebtedness of Saskatchewan farmers 1/ Million dollars
1936	525
1937	482
1938	541
1939	544
1940	509

1/ These estimates were received from Professor E. C. Hope of the Department of Farm Management of the University of Saskatchewan.

Debt relief legislation in Manitoba was more moderate than in Alberta. Originally protection against legal proceedings was granted only in the case of contracts, the whole consideration for which arose before April 1931. An amendment of December 17, 1940 shifted this date to May 1940 with regard to agricultural debts. Another amendment of the same date provided for compulsory extensions of time and reductions in the principal of debts; but as compulsory reduction of debts is considered a feature of bankruptcy and insolvency legislation which is reserved to the Dominion Parliament, the validity of the act may be questionable.

Manitoba also carried out a debt adjustment program in cooperation with institutional lenders. Though this program was based on principles similar to those of the Saskatchewan program of 1937, the reductions achieved were absolutely and also relatively much smaller, since the farmers in Manitoba were less hard hit by drought and depression.12/

The Canadian Central Mortgage Bank

Many distressed farm debtors were unable to obtain help under the Farmers' Creditors Arrangement Act which only provided for compositions on a bankruptcy basis. Further-reaching measures were, therefore, provided under the Dominion Act of June 3, 1939, which established the Central Mortgage Bank and launched a new debt adjustment program, based on the principle of voluntary cooperation of institutional creditors as had been the case in the agreements between the governments of Saskatchewan and Manitoba and the Dominion Mortgage and Investment Association.

To bring about a settlement of mortgage debts the Central Mortgage Bank may enter into an agreement with any mortgage, loan, trust, or insurance company. Institutions concluding such an agreement become member companies; as such they are obligated to adjust all farm mortgages acquired prior to January 1, 1939, as well as certain nonfarm mortgages. These agreements require cancellation of interest arrears in excess of an amount

12/ The Government of Alberta declined to cooperate with the Dominion Mortgage and Investment Association on a similar basis. Waines, Ibid., p. 73 and pp. 75f.

equal to 2 years' interest, consolidation of the total of principal, interest, and other charges into principal, and reduction of said principal to 80 percent of the value of the security as appraised by the Central Mortgage Bank wherever it is in excess of such percentage. The interest rate must not exceed 5 percent per annum in the case of farm mortgages and $5\frac{1}{2}$ percent in the case of nonfarm mortgages. The consolidated loans are to be amortized on a 20-year basis. In the case of grain farmers the Governor in Council may issue regulations providing that principal and interest to the member-companies be paid on a share-of-crop basis. Participation in the outlined arrangements makes the mortgages of the member-companies exempt from the provisions of the Farmers' Creditors Arrangement Act.

A member-company is not obliged to adjust mortgages in a province where, in the opinion of the Central Mortgage Bank, debt adjustment legislation or other laws unduly impede, restrict, or penalize the exercise of rights of the creditors.

The member-companies are compensated for 50 percent of the reductions which they grant with 3 percent 20-year Government-guaranteed debentures of the Central Mortgage Bank. In view of the large concessions which the member-companies are required to make and the fact that they do not know beforehand how the properties of their debtors will be appraised, the companies have been entitled to cancel membership agreements upon a 90-day notice. In such cases they must surrender any compensation received in the meantime.

The Central Mortgage Bank is authorized, within the limits of its issuing capacity, to make loans to member-companies upon the security of adjusted mortgages, or of other first farm mortgages, not in excess of 50 percent of the appraised value of land and buildings. It is further authorized to buy debentures or other evidences of indebtedness of a member-company, and to lend upon such securities. Losses of the bank are paid from the Consolidated Revenue Fund of the Dominion, which also receives any profits.

The bank negotiated membership agreements with a number of life insurance, mortgage, loan, and trust companies. Upon the outbreak of war, however, the Government found it necessary temporarily to suspend the operations of the bank. Otherwise Canadian debt adjustment might have been advanced a considerable step further and a new experience might have been gained in the cooperation of Government and private lenders in rehabilitating distressed farmers.

General Observations

The development of farm debt adjustment in Canada has been governed, to a considerable extent, by several conditions peculiar to the Dominion and its provinces. Wheat production is an exceedingly important part of Canadian agriculture and the wheat-producing areas in Canada have suffered seriously from recurring droughts. Canadian agriculture is many times more dependent on exports than that of the United States, and on an average has been more affected by the depression.

Another factor which has influenced the character and the scope of Canadian debt adjustment measures is that governmental credit agencies have been able, in general, to give little relief to distressed farmers through refinancing their debts.13/

For these and other reasons, farm-debt relief was needed in Canada on a larger scale than in the United States, this need having been most urgent in the Prairie Provinces. Compulsory stay of action under provincial law and compulsory adjustment of farm debts under Dominion law were for a time the principal features of Canadian debt relief, but recently the trend in the measures of the Dominion and some of the provinces has shifted toward joint participation, based on voluntary agreements, of Government and creditors in relieving the burden of indebtedness upon farmers. Evidently these developments have been stimulated by disappointment over the limited assistance that could be given distressed farmers under moratorium and bankruptcy legislation.

13/ The only exception of importance is the Quebec Farm Credit Bureau established in November 1936, which refinances heavily indebted farmers with 3-percent (prior to 1940, 2½-percent) loans which for such purpose can be made up to 75 percent of the appraised value of the farm. Up to October 1, 1941 the Bureau made 17,824 loans totaling 40.5 million dollars.

<u>Mortgage Debt and Land Use in Boone County, Illinois</u>.- The effect of debt burden upon land use in Boone County, Illinois is reported on by L. J. Norton and B. D. Parrish in the August 1941 Illinois Farm Economics. Similar studies in Cumberland and Vermilion Counties were reported previously in the July 1940 and April 1941 Illinois Farm Economics.

The most significant relationship was that the number of cows tended to increase with the size of the debt ratio (ratio of mortgage debt to appraised value at the time the loan was made). As compared with farms with low loan ratios, high-loan-ratio farms also had a larger proportion of land in crops and a larger proportion of crop land in hay and rotation pasture but a smaller proportion in soil-depleting crops. The principal change in land use between 1935 and 1939 was a reduction in the percentage of crop land in soil-depleting crops and an increase in the percentage in hay and rotation pasture.

Since dairying is the chief source of money income in Boone County, these differences are indicative of changes in farm organization which would be expected to result from increased requirements for income with which to meet debt payments.

THE AGE DISTRIBUTION OF FARMERS WITH MORTGAGE DEBTS

Donald C. Horton 1/

With the release of census data for 1940 on the age distribution and mortgage debt frequency of full-owner operators, it is possible to make certain comparisons with 1930 and 1920 which reveal trends of significance to students of mortgage credit. Since not all of the State data were available when this paper was prepared, those for eight States are used here for illustrative purposes.

Age Distribution of All Full-Owner Operators

Although in some States the absolute number of full-owner operators 55 years of age or older was smaller in 1940 than in 1920, the proportion of all full-owner operators represented by those in this age group was higher in 1940 in all eight States than in either 1920 or 1930. In Vermont, for example, there were only 8,495 farmers in this upper age group in 1940 as compared with 9,301 in 1920; but with the decline in the total number of full-owner operators from 1920 to 1940 those 55 years of age or older represented 45 percent of the total in 1940 as compared with 38.9 percent in 1920 (table 1). In Tennessee, on the other hand, the absolute number in this upper age group rose from 45,330 in 1920 to 52,243 in 1940 and the percentage of the total rose from 35 to 43.5 percent.

Among the eight States for which data are shown, the proportion of all full-owner operators 55 years of age or older in 1920 ranged from 26.8 percent in Utah to 41.6 percent in Ohio. The range in 1940 was from 34.7 percent in Utah to 51.8 percent in Nebraska. For full-owner operators less than 45 years old the proportion of the total ranged in 1920 from 29.8 percent in Ohio to 46.2 percent in Utah and in 1940 from 19.3 percent in Nebraska to 37 percent in Utah. The proportion of the total represented by full owners in the age group 45-54 has changed less from 1920 to 1940 than for the upper and lower age groups.

The data presented in table 2 indicate that the increased relative numbers of older full-owner operators is a part of a general movement characteristic of all tenure groups combined. Although the general direction of change in the proportion of all farm operators represented by older farmers is the same as that for the full-owner operator group, full-owner operators are concentrated more in the upper age groups than are the remaining tenure groups.

1/ Senior Agricultural Economist.

Table 1.- Number of full-owner operators, by age groups, for selected States, 1920, 1930, and 1940 1/

State and year	Under 25 years	25-34	35-44	45-54	55-64	65 & over	Age not re-ported	Total	Per-cent-age un-der 45	Per-cent-age 55 & over
	No.	No.	No.	No.	No.	No.	No.	No.	Pct.	Pct.
Vt.										
1920	406	2,686	4,934	6,167	5,114	4,187	432	23,926	33.5	38.9
1930	203	1,903	4,018	5,036	4,720	3,821	568	20,269	30.2	42.1
1940	151	1,573	3,253	4,563	4,375	4,120	830	18,865	26.4	45.0
N. J.										
1920	237	1,946	4,374	5,793	4,892	3,073	437	20,752	31.6	38.4
1930	109	1,315	4,091	5,214	4,419	2,907	767	18,822	29.3	38.9
1940	143	1,045	2,939	5,349	4,796	3,541	733	18,546	22.3	45.0
Ohio										
1920	1,394	13,709	31,788	42,559	38,432	26,851	2,383	157,116	29.8	41.6
1930	771	7,463	22,553	32,815	33,283	27,002	4,182	128,069	24.0	47.1
1940	1,146	9,167	21,655	33,924	35,349	33,180	5,624	140,045	22.8	48.9
Minn.										
1920	1,744	16,403	27,707	31,438	23,947	10,190	1,451	112,880	40.6	30.2
1930	749	8,215	20,661	25,088	22,399	14,672	2,501	94,285	31.4	39.3
1940	1,083	9,178	19,022	26,572	23,294	17,371	2,761	99,281	29.5	41.0
Nebr.										
1920	689	7,105	13,167	13,760	10,490	4,668	686	50,565	41.5	30.0
1930	344	3,187	8,804	11,477	9,858	6,029	1,138	40,837	30.2	38.9
1940	208	1,588	4,618	8,802	9,518	7,717	817	33,268	19.3	51.8
N. C.										
1920	3,297	18,990	30,907	31,531	26,243	19,386	1,493	131,847	40.3	34.6
1930	1,856	11,487	22,679	27,575	22,296	16,840	2,806	105,539	34.1	37.1
1940	1,941	13,067	22,668	29,335	26,310	20,724	4,626	118,671	31.7	39.6
Tenn.										
1920	3,284	17,159	29,257	33,161	25,807	19,523	1,341	129,532	38.4	35.0
1930	1,590	9,610	19,616	26,181	23,527	18,501	2,608	101,633	30.3	41.4
1940	1,732	11,966	21,657	28,497	27,184	25,059	3,909	120,004	29.5	43.5
Utah										
1920	605	3,482	4,751	4,856	3,480	1,644	316	19,134	46.2	26.8
1930	335	2,224	4,022	4,273	3,481	2,162	626	17,123	38.4	33.0
1940	418	2,157	3,544	4,229	3,428	2,314	453	16,543	37.0	34.7

1/ Data for 1920 and 1930 from 15th Census of the United States, 1930, Agriculture, Vol. IV, table 13, pp. 460-61. Data for 1940 from 16th Census of the United States, 1940, Agriculture, Second Series by States, State table V.

Table 2.- Total number of farm operators, by age groups, for selected States, 1920, 1930, and 1940 1/

State and year	All farm operators				
	Under 45 years		55 years and over		Total
	Number	Percentage of total	Number	Percentage of total	
	Number	Percent	Number	Percent	Number
Vermont:					
1920	11,057	38.7	10,205	35.7	28,561
1930	8,370	34.7	9,662	40.1	24,114
1940	7,078	31.5	9,804	43.6	22,467
New Jersey:					
1920	11,664	40.1	9,562	32.9	29,071
1930	8,604	35.6	8,727	36.1	24,159
1940	6,898	28.1	10,304	41.9	24,563
Ohio:					
1920	112,141	44.3	78,533	31.1	252,860
1930	77,576	36.8	79,396	37.6	211,046
1940	75,291	33.8	90,818	40.8	222,528
Minnesota:					
1920	92,275	52.4	41,074	23.3	176,139
1930	85,619	47.6	51,098	28.4	179,762
1940	81,899	42.9	58,625	30.8	190,691
Nebraska:					
1920	75,677	61.6	21.786	17.7	122,902
1930	70,784	56.4	26,458	21.1	125,541
1940	54,826	46.6	32,810	27.9	117,667
North Carolina:					
1920	140,540	52.8	66,893	25.1	266,181
1930	136,645	50.8	68,425	25.4	269,128
1940	124,044	47.2	78,246	29.8	262,608
Tennessee:					
1920	131,314	52.5	62,047	24.8	249,967
1930	115,294	48.4	66,944	28.1	237,993
1940	106,876	45.0	77,466	32.6	237,463
Utah:					
1920	13,488	53.5	5,758	22.8	25,219
1930	12,169	47.0	7,364	28.4	25,902
1940	10,833	44.3	7,351	30.1	24,458

1/ 16th Census of the United States, 1940. Agriculture, Second Series by States, State table 10.

Age Distribution of Full-Owner Operators With Mortgage Debts

These major trends in the age distribution of farm operators are a part of the background against which changes in the age distribution of full-owner operators with mortgage debts need to be considered. The percentage of the full-owner operators with mortgage debt accounted for by those 55 years of age or older rose more sharply from 1920 to 1940 than did the corresponding percentage based on all full-owner operators (table 3). In Ohio, for example, the proportion of all full owners (mortgaged and free of debt combined) in this age group rose only from 41.6 to 48.9 percent from 1920 to 1940, whereas the proportion of those with mortgage debts that were in this age group rose from 24.6 to 37.5 percent.

It will be noted also from table 3 that in all eight of the States the absolute number of indebted full owners in both age groups, 55-64 and 65 and over, rose from 1920 to 1930 and again from 1930 to 1940. In Tennessee there were in 1940 almost 3 times as many full-owner operators with mortgage debts who were 65 years of age or older as there were in 1920, and almost twice as many in the age group 55-64 as in 1920. Corresponding declines occurred in the number of young full-owner operators with mortgage debts.

The number of full owners with mortgage debts in the age group 45-54 changed differently in the several States. In Vermont there was a moderate decline from 1920 to 1940 as compared with that in the lower age groups, whereas in New Jersey a rise occurred in the number in the 45-54 age group. In Minnesota the number in this age group fell from 1920 to 1930 but rose by 1940 to about the 1920 level. In Nebraska and Utah, on the other hand, there was a rise from 1920 to 1930, followed by a decline from 1930 to 1940. However, as a percentage of all full-owner operators with mortgage debts, the number in the age group 45-54 has been more stable than that in the upper and lower age groups.

Frequency of Mortgage Debt by Age Groups

The divergent trends by age groups in the total number of full-owner operators and the number with mortgage debts are reflected in the data on frequency of mortgage debt by age groups presented in table 4. In general a smaller proportion of the older full-owner operators have mortgage debts than do the younger ones. In Ohio, for example, 53.4 percent of those under 45 reported mortgage debt in 1940, whereas only 30.9 percent of those 55 years of age or older reported mortgage debt in that year. But in most of the States there was a sharp rise in debt frequency for the older farmers from 1920 to 1940 which was accompanied by moderate changes in the debt frequency of younger farmers. As a result there was less difference in 1940 than in 1920 and 1930 between old and young farmers as regards the proportion reporting mortgage debt.

Table 3.- Number of full-owner operators reporting their farms mortgaged, by age groups, for selected States, 1920, 1930, and 1940 1/

State and year	Under 25 years	25-34	35-44	45-54	55-64	65 & over	Age not reported	Total	Percentage under 45	Percentage 55 & over
	No.	No.	No.	No.	No.	No.	No.	No.	Pct.	Pct.
Vt.										
1920	310	1,998	3,166	3,144	1,876	985	175	11,654	47.0	24.5
1930	155	1,466	2,862	3,002	2,066	1,111	279	10,941	41.0	29.0
1940	104	1,153	2,257	2,888	2,270	1,423	267	10,362	33.9	35.6
N. J.										
1920	156	1,341	2,565	2,679	1,828	867	144	9,580	42.4	28.1
1930	67	941	2,851	2,993	1,906	884	362	10,004	38.6	27.9
1940	91	652	1,826	3,171	2,440	1,225	337	9,742	26.4	37.6
Ohio										
1920	598	7,067	12,746	12,188	7,556	3,257	528	43,940	46.5	24.6
1930	356	4,088	11,915	13,673	9,842	4,893	1,397	46,164	35.4	31.9
1940	542	5,026	11,504	16,206	13,383	7,763	1,896	56,320	30.3	37.5
Minn.										
1920	1,147	11,393	16,986	15,767	9,497	2,947	613	58,350	50.6	21.3
1930	459	5,583	13,285	13,663	10,551	5,273	1,207	50,021	38.6	31.6
1940	646	5,857	12,285	15,389	11,833	6,781	1,406	54,197	34.7	34.3
Nebr.										
1920	388	4,777	7,674	6,405	3,736	1,116	261	24,357	52.7	19.9
1930	214	2,284	6,024	6,821	4,843	2,185	581	22,952	37.1	30.6
1940	126	1,078	3,099	5,466	5,458	3,522	401	19,150	22.5	46.9
N. C.										
1920	651	4,420	6,214	5,106	2,947	1,361	209	20,908	54.0	20.6
1930	520	4,108	8,254	9,067	5,817	2,810	803	31,379	41.1	27.5
1940	591	4,514	7,645	9,547	7,327	3,835	1,264	34,723	36.7	32.1
Tenn.										
1920	1,036	5,975	8,136	7,089	3,844	1,633	288	28,001	54.1	19.6
1930	469	3,341	6,925	7,912	5,749	2,867	672	27,935	38.4	30.8
1940	425	3,812	7,049	8,966	7,510	4,756	1,047	33,565	33.6	36.5
Utah										
1920	304	1,890	2,441	1,995	1,130	329	111	8,200	56.5	17.8
1930	189	1,393	2,541	2,486	1,600	692	330	9,231	44.7	24.8
1940	170	1,226	2,079	2,367	1,672	777	209	8,500	40.9	28.8

1/ Data for 1920 and 1930 from 15th Census of the United States, 1930. Agriculture, Vol. IV, table 13, pp. 460-61. Data for 1940 from 16th Census of the United States, 1940. Agriculture, Second Series by States, State table V.

Table 4.- Percentage of full-owner operators reporting their farms mortgaged, by age groups, for selected States, 1920, 1930, and 1940 1/

State and year	Under 25 years	25-34	35-44	45-54	55-64	65 & over	Age not reported	Total	Under 45	55 & over
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Vt.										
1920	76.4	74.4	64.2	51.0	36.7	23.5	40.5	48.7	68.2	30.8
1930	76.4	77.0	71.2	59.6	43.8	29.1	49.1	54.0	73.2	37.2
1940	68.9	73.3	69.4	63.3	51.9	34.5	32.2	54.9	70.6	43.5
N. J.										
1920	65.8	68.9	58.6	46.2	37.4	28.2	33.0	46.2	61.9	33.8
1930	61.5	71.6	69.7	57.4	43.1	30.4	47.2	53.2	70.0	38.1
1940	63.6	62.4	62.1	59.3	50.9	34.6	46.0	52.5	62.2	44.0
Ohio										
1920	42.9	51.6	40.1	28.6	19.7	12.1	22.2	28.0	43.5	16.6
1930	46.2	54.8	52.8	41.7	29.6	18.1	33.4	36.0	53.1	24.4
1940	47.3	54.8	53.1	47.8	37.9	23.4	33.7	40.2	53.4	30.9
Minn.										
1920	65.8	69.5	61.3	50.2	39.7	28.9	42.2	51.7	64.4	36.4
1930	61.3	68.0	64.3	54.5	47.1	35.9	48.3	53.1	65.2	42.7
1940	59.6	63.8	64.6	57.9	50.8	39.0	50.9	54.6	64.2	45.8
Nebr.										
1920	56.3	67.2	58.3	46.5	35.6	23.9	38.0	48.2	61.3	32.0
1930	62.2	71.7	68.4	59.4	49.1	36.2	51.1	56.2	69.1	44.2
1940	60.6	67.9	67.1	62.1	57.3	45.6	49.1	57.6	67.1	52.1
N. C.										
1920	19.7	23.3	20.8	16.2	11.2	7.0	14.0	15.9	21.2	9.4
1930	28.0	35.8	36.4	32.9	26.1	16.7	28.6	29.7	35.8	22.0
1940	30.4	34.5	33.7	32.5	27.8	18.5	27.3	29.3	33.8	23.7
Tenn.										
1920	31.5	34.8	27.8	21.4	14.9	8.4	21.5	21.6	30.5	12.1
1930	29.5	34.8	35.3	30.2	24.4	15.5	25.8	27.5	34.8	20.5
1940	24.5	31.9	32.5	31.5	27.6	19.0	26.8	28.0	31.9	23.5
Utah										
1920	50.2	54.3	51.4	41.1	32.5	20.0	35.1	42.9	52.4	28.5
1930	56.4	62.6	63.2	58.2	46.0	32.0	52.7	53.9	62.6	40.6
1940	40.7	56.8	58.7	56.0	48.8	33.6	46.1	51.4	56.8	42.7

1/ Percentages for 1920 and 1930 derived from data from 15th Census of the United States, 1930. Agriculture, Vol. IV, table 13, pp. 460-61; those for 1940 derived from data from 16th Census of the United States, 1940, Agriculture, Second Series by States, State table V.

A Field for Further Research

Data are not readily available to trace in detail the operations of the many forces that account for the increased number of mortgaged owner operators in the upper age groups. This development probably is largely accounted for by the same general circumstances that account for the increased percentage of all farm operators in the upper age groups. The high land prices associated with the first world war and the unfavorable conditions for debt repayment during a large part of the period from 1920 to 1940 doubtless are influential specific reasons why many present older farmers are still in debt. Also, the two severe agricultural depressions of the last two decades made more difficult the accumulation of sufficient capital to make a minimum down payment on a farm. As a result, some probably bought farms at a later date than they would have if agriculture had been more prosperous; and when they did buy, they probably were able to pay only a small part of the purchase price in cash. Likewise, many young farmers who otherwise would have bought farms have continued as tenants.

All of these circumstances contributed to a greater concentration of mortgaged full owners in the upper age groups. But additional research is needed to determine at what ages farmers have bought their farms in different periods and on what terms these farms were bought. Additional information is needed also on foreclosures by age of operator, since any tendency for foreclosures to be concentrated in a particular age group would affect the age distribution of the remaining owner operators with mortgage debts. Data on the ratio of debt to value and debt per acre, by age of operator, might shed additional light on the extent to which older farmers have increased their equities in their farms through principal repayments even though the debt had not been entirely repaid. This entire problem is a field needing intensive research covering selected areas in which census data indicate divergent trends.

Problems of Mortgage-Credit Policy

Whatever may have been the causes of the rise in the number of older full-owner operators with mortgage debts, the significance of this fact cannot be overlooked in future mortgage-credit policy. Lending agencies were keenly aware during the 1930's of the problems presented in refinancing debts of older farmers. With 50 percent of the indebted full-owner operators 55 years of age and over in 1940 in some of the States, questions arise as to what kind of refinancing facilities are best suited to the circumstances of this age group. Should primary emphasis be placed on mortgage credit arrangements designed to enable heavily indebted farmers in this age group eventually to own their farms free of debt? Or, should mortgage credit be extended to such farmers with less of the emphasis upon principal repayment and more on financial arrangements whereby they can retain possession of their farms and make a living from farming? Too many considerations of mortgage-credit policy are involved here to warrant definite conclusions on questions of this character. But if at the end of the war effort we should again have a large number of heavily indebted older farmers, the question of what kind of refinancing facilities should be provided may become of considerable importance.

SLIGHT DECLINE IN THE AGRICULTURAL LOANS OF COMMERCIAL BANKS DURING 1940-41 CAUSED BY DECLINE OF COMMODITY LOANS

The volume of agricultural loans held by insured commercial banks decreased from $1,726,000,000 on July 1, 1940 to $1,718,000,000 on July 1, 1941. An increase of about $98,000,000 in such loans occurred during the last half of 1940, followed by a decrease of about $106,000,000 in the first half of 1941 (table 1). Almost all of this fluctuation was caused by changes in the volume of personal and collateral loans to farmers. Such loans increased from $1,183,000,000 on July 1, 1940 to $1,281,000,000 at the end of the year, and then decreased to $1,167,000,000 on July 1, 1941. Loans on farm real estate remained steady at $543,000,000 during the last half of 1940 and then rose to $551,000,000 during the first half of 1941.

Table 1.- Changes in loans of insured commercial banks, Jan. 1, 1937 to July 1, 1941

	Nonagricultural loans	Agricultural loans			Total loans
		Personal and collateral	Farm real estate	Total	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Total outstanding Jan. 1, 1937	14,812	594	487	1,081	15,893
Change during half-year following:					
Jan. 1, 1937	969	132	17	149	1,118
July 1, 1937	-357	62	-3	59	-298
Jan. 1, 1938	-1,170	137	12	149	-1,021
July 1, 1938	183	139	6	145	328
Jan. 1, 1939	-124	129	11	140	16
July 1, 1939	922	-99	3	-96	826
Jan. 1, 1940	49	88	10	98	147
July 1, 1940	1,286	99	1/	99	1,385
Jan. 1, 1941	1,621	-114	8	-106	1,515
Total outstanding July 1, 1941	18,191	1,167	551	1,718	19,909
Increase from Jan. 1, 1937 to July 1, 1941	3,379	573	64	637	4,016
	Percent	Percent	Percent	Percent	Percent
Percentage increase	23	96	13	59	25

1/ Less than $500,000.

Included among the personal and collateral loans to farmers held by commercial banks are loans on cotton, corn, wheat, and other crops made under purchase agreements with the Commodity Credit Corporation (table 2). Such loans fluctuate widely with price and supply conditions, and have been responsible for a considerable part of the seasonal change that has occurred in the personal and collateral loans to farmers held by commercial banks. During the last half of 1940, such loans rose from about $228,000,000 to about $377,000,000, due mainly to the cotton and wheat loan programs, but during the first half of 1941, their volume decreased to about $115,000,000 as cotton and wheat loans were liquidated.

Table 2.- Commodity loans held by banks and other lenders under purchase agreements with the Commodity Credit Corporation, 1935-41

Date	Cotton	Corn	Wheat	Other crops	Total
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Jan. 1, 1935 ..	207,081	5,928	-	-	213,009
July 1, 1935 ..	133,971	444	-	-	134,415
Jan. 1, 1936 ..	2,562	5,912	-	-	8,474
July 1, 1936 ..	1,788	115	-	-	1,903
Jan. 1, 1937 ..	0	54	-	-	54
July 1, 1937 ..	0	43	-	-	43
Jan. 1, 1938 ..	135,320	4,070	-	-	139,390
July 1, 1938 ..	129,276	14,060	-	763	144,099
Jan. 1, 1939 ..	258,316	30,291	12,582	9,411	310,600
July 1, 1939 ..	266,093	119,396	2,655	415	388,559
Jan. 1, 1940 ..	132,687	69	104,096	213	237,065
July 1, 1940 ..	69,419	158,381	56	0	227,856
Jan. 1, 1941 ..	180,544	4,222	188,893	3,516	377,175
July 1, 1941 ..	38,286	57,375	17,126	2,249	115,036

The personal and collateral loans to farmers held by commercial banks reached their depression low about the beginning of 1937. Since then, they have increased about $573,000,000 or 96 percent - an expansion much greater, on a percentage basis, than that occurring in the banks' loans on farm real estate or in their nonagricultural loans. Although commodity loans have been important at certain times, the increase has resulted mainly from the growth of other types of personal and collateral loans. The growth of these other types, amounting to about $415,000,000, appears to have arisen principally from increased agricultural production, increased machinery purchases by farmers, and increased numbers of cattle on farms. Other contributing factors include the rising prices of the last year and the refinancing by banks of farm debts previously held by bank receiverships and other lenders.

All sections of the country have shared in the expansion, since the first of 1937, of the personal and collateral loans to farmers held by com-

mercial banks (table 3). Farm real estate loans also have increased in most areas, but have declined in the New England and Pacific divisions (table 4). During the year ending July 1, 1941, little net change occurred in personal and collateral loans to farmers except in the Mountain States, which had an 11-percent increase, and in the East North Central States, which had a 12-percent decrease. The principal changes in farm real estate loans during the year were an increase of 5 percent in the East North Central States and a decrease of 5 percent in the Pacific States.

Table 3.- Personal and collateral loans to farmers held by insured commercial banks, by geographic divisions, on specified dates, 1935-41

Geographic division	Jan. 1, 1937	Jan. 1, 1938	Jan. 1, 1939	Jan. 1, 1940	Jan. 1, 1941	July 1, 1941
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
New England ...	6,081	7,992	9,252	8,990	9,862	9,839
Middle Atlantic	38,648	43,174	54,212	53,261	56,761	55,362
East North Cent.	89,120	126,500	156,309	168,993	186,026	180,131
West North Cent.	190,512	242,593	311,928	355,426	437,072	388,003
South Atlantic	24,991	40,191	56,991	42,646	66,120	60,732
East South Cent.	26,865	54,141	102,690	90,324	87,028	85,991
West South Cent.	82,182	116,234	181,965	167,546	220,326	180,071
Mountain	69,298	76,602	84,593	95,432	107,121	97,179
Pacific	65,917	80,924	106,727	111,774	110,959	109,896
United States	593,614	788,351	1,064,667	1,094,392	1,281,275	1,167,204

Table 4.- Loans secured by farm real estate held by insured commercial banks by geographic divisions, on specified dates, 1935-41

Geographic division	Jan. 1, 1937	Jan. 1, 1938	Jan. 1, 1939	Jan. 1, 1940	Jan. 1, 1941	July 1, 1941
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
New England	15,105	13,760	13,628	13,019	13,237	13,388
Middle Atlantic	40,397	41,894	44,033	45,637	46,286	46,416
East North Central ..	104,810	111,062	117,052	123,472	129,629	133,210
West North Central ..	87,218	96,485	99,727	103,906	108,017	109,299
South Atlantic	47,397	48,415	52,913	55,211	55,999	58,612
East South Central ..	41,477	42,070	44,278	47,340	50,535	51,851
West South Central ..	27,813	25,705	25,291	25,118	24,853	25,923
Mountain	10,332	10,279	10,380	10,010	10,523	10,517
Pacific	112,985	111,780	111,974	110,457	104,329	101,910
United States	487,534	501,450	519,276	534,170	543,408	551,126

MEASURES TO RELOCATE FARM FAMILIES FROM DEFENSE AREAS

The Government's acquisition of several million acres of land for army camps and maneuver areas, bombing fields, powder plants, and other defense uses, has forced the displacement of perhaps 10,000 or more rural families. Many had to move on very short notice.

The Farm Security Administration was given the task of helping to relocate these people. Assistance given is of three general types:

1. Information and counsel as to available farm land.

2. Financial assistance, including loans for purchase or lease of family-type farms, or for other rehabilitation purposes. Loans or grants for subsistence purposes are also provided in emergencies. Most financial assistance is given, however, through "defense relocation corporations."

3. Transportation. Trucks of the Farm Security Administration as well as of the military services may be utilized to help move low-income families.

"Defense relocation corporations" are being established by the Farm Security Administration in States in which there is substantial need for relocation assistance to farm families. These corporations receive loans from the Farm Security Administration in order to purchase or lease land and develop it for farming. Such lands may be subdivided into individual units, or operated as cooperative farms, depending upon the type of land available and the qualifications of the individuals involved. An effort is also made to relocate defense-displaced families on already established projects of the Farm Security Administration by giving them preference as vacancies occur.

Table 1 shows the volume of loans authorized by the Farm Security Administration to defense relocation corporations as of October 1, 1941. Of the $14,473,000 then authorized, $3,868,000 had been advanced to these corporations. The latter, however, had made or obligated expenditures totaling $6,753,000 for land and $960,000 for other things by this date.

The Hinesville Relocation Corporation was one of the first of such corporations to be formed, being set up by the Farm Security Administration under Georgia laws as a nonprofit association. It has assisted in relocating about 840 of the approximately 1,500 families forced to move from land needed for Camp Stewart, near Hinesville, Georgia. A community of family-type farms was developed near Hazelhurst, Georgia, by the Corporation, using Farm Security Administration funds and Farm Security Administration methods of low-cost housing.

Table 1.- Defense relocation corporations: Expenditures authorized, and made or obligated; and number of family dwelling units involved, October 1, 1941

Corporations	Total expenditures authorized	Expenditures made or obligated		Number of family dwelling units	
		Land	Other	Planned	Completed
	1,000 dollars	1,000 dollars		Number	
New York Defense Relocation Corp. .	738	228	4	200	0
Illinois Defense Relocation Corp. .	1,526	991	4	283	0
Indiana Defense Relocation Corp. ..	1,502	1,476	3	205	0
Iowa Defense Relocation Corp.	1,060	992	4	143	0
Missouri Defense Relocation Corp. .	1,983	1,304	22	543	0
Ohio Defense Relocation Corp.	1,025	898	4	154	0
Kansas Defense Relocation Corp. ...	807	0	8	200	0
Texas Defense Agricultural Relocation Corp.	449	0	67	135	0
Alabama Relocation Corporation	1,553	200	175	300	60
Hinesville Relocation Corp. (Ga.) .	2,007	410	310	205	205
Palmetto Farms, Inc. (S. C.)	1,193	230	117	300	70
North Carolina Defense Relocation Corp.	339	10	86	500	80
Tennessee Defense Relocation Corp.	291	12	76	500	75
Virginia Defense Relocation Corp. .	1/	2	80	500	75
Total	2/ 14,473	6,753	960	4,168	565

1/ Unavailable.
2/ Total for 13 out of 14 corporations.

Relocated farmers are offered considerable employment during the first year developing farmsteads on their project. It is contemplated that those leasing the farmsteads may be given opportunity later to purchase them if their performance as lessees is satisfactory. In the case of the Georgia group, it is planned that part of their income will be earned through cooperative production of naval stores on the project's timberland.

Where assistance from a defense relocation corporation to displaced families is not practicable, direct loans of various types may be made to them by the Farm Security Administration. By October 1, 1941 only 41 such loans had been approved, aggregating less than $8,000.

MORTGAGED FULL-OWNER FARMS IN 1930 AND 1940

The number of full-owner farms reported mortgaged in the 1940 census represented 41.5 percent of all full-owner farms for which debt-status reports were obtained, as compared with 42.5 percent in 1930 (table 1). In both years almost 94 percent of the full owners reported on the debt status of their farms.

Moderate increases occurred in the percentage of full- owner farms reported mortgaged in five of the nine geographic divisions, but these increases were more than offset by substantial declines in the frequency of mortgage debt in three of the remaining four divisions - the West South Central, Mountain, and Pacific. In 1940, as in 1930, the lowest percentage of full-owner farms mortgaged was in the South Atlantic States and the highest in the West North Central States.

The absolute number of full-owner farms reported mortgaged in 1940 was about 3.5 percent larger for the country as a whole than in 1930. Largest percentage increases in the number reported mortgaged occurred in the New England, South Atlantic, and East South Central States, in which increases from 1930 to 1940 of 12.5, 14.2, and 14.3 percent respectively, were reported. Largest percentage decreases in the number reported mortgaged occurred in the Mountain, West South Central, and Middle Atlantic States.

Average acreage per mortgaged full-owner farm declined from 146 acres in 1930 to 139 acres in 1940, or about 4.8 percent (table 2). But with the exception of the New England and West North Central States the changes in average size of mortgaged full-owner farms was slight. The decline in the national average reflects also an increase in the proportion of the mortgaged full-owner farms in the areas of relatively small farms (table 1).

The average size of full-owner farms reported free of debt declined significantly in all geographic divisions except in the Mountain States. The large increase in the average size of free-of-debt farms in that geographic division reflects in part the inclusion of certain range land not previously reported as farm land.

Average value per mortgaged full-owner farm in 1940 was $6,152, as compared with $8,902 in 1930 (table 2). Declines in average value per mortgaged farm were greatest in the West North Central and Pacific States, in which decreases of 39.7 and 37.1 percent respectively, occurred. The smallest percentage decline occurred in the East South Central States. The decline in average value per full- owner farm reported free of debt was greater than for mortgaged farms in all geographic divisions except the Middle Atlantic States.

Table 1.- Number of full-owner operated farms with mortgage status reported and number reported mortgaged, by geographic divisions, 1930 and 1940 1/

Geographic division	Mortgage status reported			Reported mortgaged					Percentage of all owner-operated farms reporting mortgage status	
	1930	1940	Percentage change	1930	1940	Percentage change	Percentage of number with mortgage status reported			
							1930	1940	1930	1940
	Number	Number	Percent	Number	Number	Percent	Percent	Percent	Percent	Percent
New England	101,925	111,213	9.1	46,286	52,078	12.5	45.4	46.8	95.0	95.5
Middle Atlantic ..	264,252	257,114	-2.7	111,105	107,757	-3.0	42.0	41.9	95.0	95.5
East North Central	543,149	572,531	5.4	253,917	272,321	7.2	46.7	47.6	95.2	94.6
West North Central	437,681	419,337	-4.2	230,124	225,796	-1.9	52.6	53.8	95.6	93.8
South Atlantic ...	431,302	477,029	10.6	124,468	142,120	14.2	28.9	29.8	92.3	91.9
East South Central	366,302	415,607	13.5	121,974	139,404	14.3	33.3	33.5	92.1	92.9
West South Central	297,320	328,545	10.5	124,257	116,700	-6.1	41.8	35.5	91.2	90.9
Mountain	116,793	120,445	3.1	56,306	51,616	-8.3	48.2	42.9	89.6	93.9
Pacific	168,302	182,162	8.2	89,411	90,484	1.2	53.1	49.7	95.2	95.8
United States .	2,727,026	2,883,983	5.8	1,157,848	1,198,276	3.5	42.5	41.5	93.7	93.5

1/ Based on data from the Census of Agriculture.

Table 2.- Average acreage and average value per full-owner farm, by mortgage status and geographic divisions, 1930 and 1940 1/

Geographic division	Average acreage per farm						Average value per farm					
	Reported mortgaged			Reported free of debt			Reported mortgaged			Reported free of debt		
	1930	1940	Percentage change	1930	1940	Percentage change	1930	1940	Percentage change	1930	1940	Percentage change
	Acres		Percent	Acres		Percent	Dollars		Percent	Dollars		Percent
New England	109	94	-13.8	107	89	-16.8	6,992	5,259	-24.8	6,098	4,294	-29.6
Middle Atlantic ..	95	93	-2.1	86	83	-3.5	7,678	5,686	-25.9	6,378	4,747	-25.6
East North Central	99	96	-3.0	91	86	-5.5	8,328	6,194	-25.6	7,007	5,117	-27.0
West North Central	188	176	-6.4	152	146	-3.9	12,892	7,769	-39.7	9,933	5,773	-41.9
South Atlantic ...	110	111	+.9	92	86	-6.5	5,530	4,329	-21.7	4,150	3,115	-24.9
East South Central	108	107	-.9	94	86	-8.5	3,985	3,462	-13.1	3,193	2,507	-21.5
West South Central	238	245	+2.9	144	138	-4.2	7,667	5,945	-22.5	4,893	3,306	-32.4
Mountain	321	317	-1.2	276	396	+43.5	9,936	7,462	-24.9	5,841	3,920	-32.9
Pacific	117	115	-1.7	108	94	-13.0	15,249	9,589	-37.1	12,167	7,308	-39.9
United States	146	139	-4.8	114	112	-1.8	8,902	6,152	-30.9	6,129	4,148	-32.3

1/ Based on data from the Census of Agriculture.

Average mortgage debt per full-owner farm reported mortgaged declined about one-fourth from 1930 to 1940, falling from $3,561 in 1930 to $2,657 in 1940 (table 3). The two geographic divisions with largest percentage declines in average mortgage debt per farm - the West North Central and Pacific - also showed the largest declines in average value per mortgaged farm; and the East South Central States, in which the smallest percentage decline occurred in average mortgage debt per farm, also showed the smallest percentage decline in average value per mortgaged farm.

Average mortgage debt per $1,000 of farm land and buildings reported for mortgaged full-owner farms rose from $396 in 1930 to $426 in 1940, a rise of 7.6 percent (table 3). This rise in the ratio of mortgage debt to value is the result of a decline of 30.9 percent in average value per farm as compared with a decline of 25.4 in the average mortgage debt per farm. The largest percentage increase in mortgage debt per $1,000 of farm real estate occurred in the West North Central States (18.2 percent). In the East North Central, South Atlantic, and East South Central States mortgage debt bore about the same relationship to value in 1940 as in 1930.

The data from which these computations are made are also available by States from the Bureau of the Census, and most of the information will be presented by counties. In addition, the 1940 census tabulations will contain for the first time information on the value and mortgage debt for the portion of part-owner farms owned by the operator. These additional data will make possible many additional uses of census mortgage-credit data.

Table 3.- Average mortgage debt per farm and mortgage debt per $1,000 of mortgaged farm land and buildings, full-owner farms, 1930 and 1940 1/

Geographic division	Mortgage debt per farm			Mortgage debt per $1,000 of farm land and buildings		
	1930	1940	Percentage change	1930	1940	Percentage change
	Dollars	Dollars	Percent	Dollars	Dollars	Percent
New England	2,565	2,171	-15.4	363	406	+11.8
Middle Atlantic	3,029	2,418	-20.2	390	419	+ 7.4
East North Central ..	3,773	2,810	-25.5	450	448	- 0.4
West North Central ..	5,639	4,025	-28.6	434	513	+18.2
South Atlantic	1,965	1,573	-19.9	351	356	+ 1.4
East South Central ..	1,551	1,344	-13.3	384	382	- 0.5
West South Central ..	2,634	2,224	-15.6	338	367	+ 8.6
Mountain	3,714	2,936	-20.9	370	388	+ 4.9
Pacific	4,909	3,438	-30.0	319	355	+11.3
United States ..	3,561	2,657	-25.4	396	426	+ 7.6

1/ Based on data from the Census of Agriculture.

SMALL DECLINE IN FARM-MORTGAGE DEBT DURING 1940

The amount of indebtedness secured by mortgages on farm real estate declined further during 1940, according to preliminary estimates for January 1, 1941. But the decrease was small as compared with other recent years, the total falling from $6,910,000,000 on January 1, 1940 to $6,824,-000,000 at the end of the year, a decline of only 1.2 percent (table 1). For other years since 1935 the annual reduction has ranged from 1.9 to 3.3 percent. The amount outstanding on January 1, 1941 is only 63 percent of the total on January 1, 1923 when farm-mortgage indebtedness for the country as a whole was at its peak.

Table 1.- Total farm-mortgage debt and amounts held by selected lender groups, United States, Jan. 1, for selected years, 1910-41 1/

Year	Total farm-mortgage debt	Federal land banks	Land Bank Commissioner	Joint stock land banks 2/	Life insurance companies	Banks 3/	Others 4/
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
1910	3,207,863				386,961	406,248	2,414,654
1915	4,990,785				669,984	746,111	3,574,690
1920	8,448,772	296,386		60,038	974,826	1,204,383	5,913,139
1925	9,912,650	923,077		446,429	1,942,624	1,200,456	5,400,064
1930	9,630,768	1,185,765		626,980	2,105,477	997,468	4,715,078
1935	7,785,971	1,885,087	616,737	255,931	1,258,900	498,842	3,270,474
1936	7,638,867	2,059,845	794,121	175,677	1,054,770	487,505	3,066,949
1937	7,389,797	2,053,105	835,807	133,499	936,454	487,534	2,943,398
1938	7,214,138	2,024,473	811,489	104,163	895,470	501,450	2,877,093
1939	7,070,896	1,971,630	751,392	87,362	887,336	519,276	2,853,900
1940	6,909,794	1,894,563	689,338	65,719	883,414	534,170	2,842,590
1941	6,824,126	1,841,572	646,660	48,766	890,516	543,408	2,853,204

1/ Excluding possessions.
2/ Including joint stock land banks in receivership.
3/ 1935-41, insured commercial banks; prior to 1935, open State and national banks.
4/ Including individuals, Farm Security Administration, State credit agencies, mortgage companies, and other miscellaneous lenders.

The greatest regional reduction, in 1940 as well as in other recent years, occurred in the West North Central States, where there was a decline of 2.6 percent (table 2). This was considerably less than the decrease of 4.2 percent in this region in the previous year. Reductions continued to be large in North Dakota (6.0 percent) and in South Dakota and Nebraska

(both 5.1 percent). Increases were most noticeable in the New England and East South Central regions, where they were 1.4 and 0.8 percent respectively. Among these States, they were greatest in New Hampshire, Vermont, Connecticut, Kentucky, and Alabama, reaching a high of 2.7 percent in the last-named State. Other States with relatively large increases were New Jersey, North Carolina, Arkansas, and Arizona.

Table 2.- Total farm-mortgage debt, by States, Jan. 1, 1940 and 1941

State and division	1940	1941	Percentage change	State and division	1940	1941	Percentage change
	1,000 dollars	1,000 dollars	Pct.		1,000 dollars	1,000 dollars	Pct.
Maine ...	30,427	30,732	+1.0	Ga.	79,286	78,559	-0.9
N. H. ...	13,738	13,920	+1.3	Fla. ...	40,666	40,923	+ .6
Vt.	34,085	34,640	+1.6	S. Atl. ..	392,066	390,174	- .5
Mass. ...	54,497	55,120	+1.1				
R. I. ...	4,548	4,537	- .2	Ky.	105,729	107,364	+1.5
Conn. ...	51,030	51,952	+1.8	Tenn. ..	87,047	85,442	-1.8
New Eng. ..	188,325	190,901	+1.4	Ala. ...	69,309	71,204	+2.7
				Miss. ..	1/ 78,585	79,454	+1.1
N. Y. ...	206,112	202,754	-1.6	E.S. Cent.	1/340,670	343,464	+ .8
N. J. ...	50,215	50,869	+1.3				
Pa.	139,530	138,553	- .7	Ark. ...	66,213	67,135	+1.4
Mid. Atl. .	395,857	392,176	- .9	La.	53,299	52,993	- .6
				Okla. ..	162,189	161,229	- .6
Ohio	207,308	205,549	- .8	Tex	530,172	525,678	- .8
Ind.	198,996	197,129	- .9	W.S. Cent.	811,873	807,035	- .6
Ill.	420,927	414,318	-1.6				
Mich. ...	173,959	171,901	-1.2	Mont. ..	96,504	95,497	-1.0
Wis.	382,687	374,561	-2.1	Idaho ..	87,441	85,994	-1.7
E.N. Cent.	1,383,877	1,363,458	-1.5	Wyo. ...	37,023	36,728	- .8
				Colo. ..	94,965	94,143	- .9
Minn. ...	343,512	338,578	-1.4	N. Mex.	26,768	26,094	-2.5
Iowa	657,868	645,094	-1.9	Ariz. ..	31,506	32,002	+1.6
Mo.	1/244,183	245,730	+ .6	Utah ...	45,635	45,722	+ .2
N. Dak. .	153,459	144,253	-6.0	Nev. ...	17,782	16,989	-4.5
S. Dak. .	151,910	144,125	-5.1	Mountain .	437,624	433,169	-1.0
Nebr. ...	334,560	317,491	-5.1				
Kans. ...	309,602	301,753	-2.5	Wash. ..	118,522	117,738	- .7
				Ore. ...	103,957	103,319	- .6
W.N. Cent	1/ 2,195,094	2,137,024	-2.6	Cal. ...	541,929	545,668	+ .7
				Pacific ..	764,408	766,725	+ .3
Del.	7,979	8,038	+ .7				
Md. 2/ ..	43,339	42,415	-2.1	United States ..	6,909,794	6,824,126	-1.2
Va.	70,566	69,464	-1.6				
W. Va. ..	22,064	21,749	-1.4				
N. C. ...	84,923	86,569	+1.9				
S. C. ...	43,243	42,457	-1.8				

1/ Revised.
2/ Including District of Columbia.

Principal repayments continue to be an important factor in the decline of farm-mortgage debt, particularly that part of the debt held by lenders specializing in amortized loans. For instance, although the Federal land banks and Land Bank Commissioner showed noticeable increases in the amount of new loans closed and substantial reductions in farm real estate acquired - two developments which tend to increase debt or lessen its decline - their outstanding loans continued to fall, mainly as a result of principal repayments. Other lenders, excluding individuals and the agencies that are in liquidation, showed an increase in both loans recorded and loans outstanding. Recordings by individuals declined slightly in spite of an increase in the number of voluntary sales of farm lands and a further rise in land values. The general expansion in recordings was not apparent in all regions, but nowhere was there a decline of any great proportions. Reductions in the number of foreclosures were reported for all lender groups and in all regions. A fall in the total book value of farm real estate held by the various lending agencies also indicated that disposals of farm lands previously acquired exceeded new acquisitions.

Outstanding farm-mortgage loans of the Federal land banks and Land Bank Commissioner continued to decline in 1940, a factor accounting for much of the reduction in the total farm real estate debt (table 1). Farm mortgages held by the Federal land banks, which fell from a total of $1,894,-563,000 on January 1, 1940 to $1,841,572,000 at the end of the year, declined in all States, except Florida, Alabama, and Arizona where they showed slight increases. The unpaid balance of Land Bank Commissioner loans was reduced from $689,338,000 to $646,660,000 but increased in Rhode Island, New Jersey, Alabama, Mississippi, Louisiana, Arizona, and Montana. Loans of the Federal land banks on January 1, 1941 were about 10 percent below the total at their peak on January 1, 1936, while those of the Land Bank Commissioner were down about 23 percent from the total at the beginning of 1937. Together they now hold about 36 percent of the total farm-mortgage debt as compared with 39 percent in 1937 and 1938.

Life insurance companies, which have held about 13 percent of the total farm real estate debt since 1935, increased their total loans in 1940 for the first time since 1928. Although the rise from $883,414,000 on January 1, 1940 to $890,516,000 on January 1, 1941 represents an increase of less than 1 percent, it appears to indicate a turning point in the trend of the farm-mortgage investments of these institutions. Increased sales of farms held by these companies undoubtedly was an important factor in the expansion of their mortgage loans during 1940. Their outstanding loans during the last few years have been only a little more than 40 percent as great as in 1928. Changes in their outstanding loans during 1940 were most noticeable in the North Central States, where life insurance companies have approximately three-fourths of their farm loans. Substantial increases occurred in Indiana, Illinois, Minnesota, and Missouri. Other States in which loans were expanded considerably were North Carolina, Kentucky, Arkansas, and Texas. Significant reductions in the loans of these companies were apparent in Iowa, South Dakota, Nebraska, and California.

Insured commercial banks continued to expand their farm-mortgage investments during 1940, holding a total of $543,408,000 on January 1, 1941 as compared with $534,170,000 one year earlier. Their farm real estate

loans have been increasing since 1936 and are now the largest for any year since 1934. Expansion was greatest in the Midwest, particularly Ohio, Indiana, Michigan, Wisconsin, Minnesota, Iowa, and Missouri. Pennsylvania, Kentucky, and Tennessee also showed marked increases. Reductions were of importance only in New York, Texas, and California. But in the latter State, where banks holding a little more than one-sixth of all loans held by this lender group are located, the decrease was substantial.

Outstanding loans of the joint stock land banks continue to decline as the liquidation of these organizations progresses. On January 1, 1941 they amounted to $48,766,000, or about one-fourth less than on the same date in 1940. At the beginning of 1941 these banks held mortgages equal to only about 7.5 percent of the total at the beginning of 1928, the peak year. They now have liquidated entirely their farm-mortgage loans in 5 of the 39 States in which they were originally chartered to operate.

A miscellaneous group of lenders classified as "others" in table 1 increased their loans slightly in 1940. The total for this group is made up largely of loans held by individuals, but a decline in the amount of farm mortgages recorded by individuals during 1940 suggests that their outstanding loans decreased. The increase in the total of "others" resulted primarily from a considerable expansion in the tenant-purchase loans of the Farm Security Administration. These loans more than doubled during 1940, increasing from $32,212,000 at the beginning of the year to $65,619,000 at the end. This organization also had loans outstanding for the construction of farmstead improvements totaling $6,353,000 on January 1, 1940 and $6,917,000 on January 1, 1941, while their special real estate loans amounted to $555,000 on the latter date. The three main State credit agencies - Minnesota Department of Rural Credit, Bank of North Dakota, Rural Credit Board of South Dakota - further reduced their outstanding loans as they continued to liquidate these investments. On January 1, 1941 it is estimated that they held farm mortgages totaling $13,108,000 as compared with $14,823,000 one year earlier.

FARM-MORTGAGE RECORDINGS INCREASE

The amount of farm mortgages recorded by all lenders during the first 6 months of 1941 was $452,800,000 according to estimates by the Farm Credit Administration. This was $39,200,000 or 9.5 percent more than was recorded for the comparable period a year earlier and $64,000,000 or 16.5 percent higher than the low of $388,800,000 recorded the first half of 1939. The amount recorded exceeds that of any similar half-year period since 1934 and 1935 when, due to the refinancing operations of the Federal land banks and the Federal Farm Mortgage Corporations, recordings reached 981 million and 577 million, respectively (table 1).

Table 1.- Amount of Federal land bank and Land Bank Commissioner loans closed, and estimated amount of farm mortgages recorded by other lenders, by 6-month periods for each year, 1934-41

Year and period	Loans closed 1/		Estimated amount of mortgages recorded 2/					Total all lenders
	Federal land banks	Land Bank Commissioner	Individuals	Commercial banks	Insurance companies	Miscellaneous	Total	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1934								
Jan.-June	433.0	309.9	115.8	56.6	20.8	45.1	238.3	981.2
July-Dec.	297.1	243.1	103.8	54.3	24.9	35.7	218.7	758.9
1935								
Jan.-June	151.8	125.0	141.3	85.0	37.6	36.7	300.6	577.4
July-Dec.	95.8	70.9	116.5	79.9	38.8	35.0	270.2	436.9
1936								
Jan.-June	67.9	48.1	134.9	94.0	56.6	36.2	321.7	437.7
July-Dec.	40.7	28.8	120.4	92.1	58.5	24.2	295.2	364.7
1937								
Jan.-June	36.3	23.4	145.3	116.7	69.4	27.1	358.5	418.2
July-Dec.	26.5	16.3	117.6	96.1	58.8	24.2	296.7	339.5
1938								
Jan.-June	28.9	16.8	131.7	108.9	74.5	30.8	345.9	391.6
July-Dec.	22.4	12.3	102.4	101.1	62.9	30.5	296.9	331.6
1939								
Jan.-June	28.6	15.3	122.1	112.5	74.5	35.8	344.9	388.8
July-Dec.	22.9	11.9	104.6	105.3	63.5	32.0	305.4	340.2
1940								
Jan.-June	32.8	18.2	119.5	116.3	86.0	40.8	362.6	413.6
July-Dec.	31.1	18.2	106.1	103.6	59.5	40.4	309.6	358.9
1941								
Jan.-June	38.0	21.8	131.1	119.1	92.6	50.2	393.0	452.8

1/ Excluding Puerto Rico.
2/ Based on reports from counties including from 31 to 49 percent of the farms in the United States.
Source:
Farm Credit Quarterly, Farm Credit Administration, U. S. Department of Agriculture, March 31, 1940, table 14, p. 26, and ibid., March 31, 1941, table 14, p. 25.

Of the $39,200,000 increase in recordings over the first half of 1940, 77.6 percent represented increased recordings by insurance companies, commercial banks, individuals, and others, while 22.4 percent reflects an increase in loans closed by the Federal land banks and the Federal Farm Mortgage Corporation. Of the total increase in recordings by the first group, 38.0 percent was accounted for by individuals, 21.7 percent by insurance companies, 9.2 percent by commercial banks, and 31.0 percent by miscellaneous lenders.

For the Federal land banks and the Federal Farm Mortgage Corporation the increase in amount of loans closed in the first 6 months of 1940 and 1941 represents a reversal of the downward trend in evidence since 1934, although the closings in 1941 still were only about one-twelfth of those for 1934 (table 1). For insurance companies, however, there has been an increase from $20,800,000 recorded in the first 6 months of 1934 to $92,-600,000 in the first 6 months of 1941. Commercial banks have also had an increase in mortgage recordings since 1934 except in 1938, and recorded $119,100,000 in the first 6 months of 1941 as compared with $56,600,000 in 1934. Thus insurance companies have more than quadrupled and commercial banks more than doubled their recordings since 1934 when the extension of new farm-mortgage credit by private lenders was virtually at a standstill.

Insurance companies, commercial banks, and the two Federal agencies - Federal land banks and the Federal Farm Mortgage Corporation - all recorded (or closed, in the case of the Federal agencies) in 1940 a greater proportion of the total than in the 5-year period 1925-30, whereas individuals and other miscellaneous lenders recorded a smaller proportion. In actual volume, insurance companies and banks recorded in 1940 only slightly more than one-half of the average annual amount recorded in the period 1925-30; individuals recorded less than one-third, and the Federal land banks and Federal Farm Mortgage Corporation combined closed nearly the same amount as the Federal land banks alone during the earlier period.

Recording data, while indicating the extent to which mortgage credit is being made available to farmers, do not necessarily indicate trends in the outstanding loans of the various agencies or lenders, as new mortgages recorded represent only one of several items determining the trend in outstanding loans. Repayments and foreclosures reduce outstanding amounts, whereas those recordings which represent loans refinanced may have no effect on outstanding loans. The increased recordings during 1939-40, as a matter of fact, did not result in increased outstanding farm-mortgage debt, as repayments and other forms of debt liquidation have more than offset the amount of recordings.

FARM REAL ESTATE HOLDINGS OF LENDING AGENCIES SHOW SUBSTANTIAL DECLINES DURING 1940

A marked decrease in the number of farms acquired and a noticeable increase in the number of farms sold during 1940 resulted in a substantial decline in the farm real estate holdings of lending agencies. The book value of farms held by a selected group of lenders totaled $938,200,000 on January 1, 1941 as compared with approximately $1,013,000,000 on January 1, 1940 (table 1). This represents a reduction of about 7 percent, which is the largest for any year since farm real estate investments of these agencies reached their peak at the beginning of 1937. On January 1, 1941 they were 11 percent below that peak year.

Table 1.- Acquired farm real estate held by selected lending agencies, Jan. 1, 1930-41

Year	Federal land banks and Federal Farm Mortgage Corporation 1/	Life insurance companies 2/	Joint stock land banks 3/	Insured commercial banks 4/	Three State credit agencies 5/
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
1930	29,517	120,020	19,685	6/	26,860
1931	36,865	151,229	22,202	6/	33,511
1932	53,588	219,947	37,957	6/	39,008
1933	83,158	316,931	71,741	6/	47,454
1934	96,632	465,072	85,740	6/	56,094
1935	96,666	600,873	81,700	6/	60,270
1936	119,864	646,280	7/ 78,204	8/ 74,166	61,531
1937	134,754	713,166	72,781	69,525	68,444
1938	132,038	705,207	62,030	56,311	72,040
1939	139,229	702,861	53,885	49,143	71,846
1940	155,237	700,530	46,827	42,045	68,324
1941	134,180	673,600	36,172	33,373	9/ 60,872

1/ Investment. Including sheriffs' certificates and judgments, but excluding prior liens. Excluding Puerto Rico.
2/ Investment - partially estimated. Includes farm real estate sold under contract of sale.
3/ Carrying value. Including sheriffs' certificates and judgments. Real estate held by banks in receivership included at book value.
4/ Book value.
5/ Investment. Department of Rural Credit of Minnesota, Bank of North Dakota, and Rural Credit Board of South Dakota.
6/ Data unavailable. 7/ Revised. 8/ June 30. 9/ Preliminary.

Reductions were apparent in the real estate holdings of all lender groups. Life insurance companies, which have the largest holdings of any lender group, reduced their investment in farm real estate by almost $27,-000,000, or about 4 percent. This reduction compares with a decrease of only about $12,500,000 during the previous 3 years combined. It should be noted, however, that the figures shown for life insurance companies include farms sold under contract of sale and for this reason are not strictly comparable with those for other agencies.

The Federal land banks and Federal Farm Mortgage Corporation also show a substantial reduction in their farm real estate investments. The book value of the farms held by these agencies declined from $155,237,000 at the beginning of 1940 to $134,180,000 at the end of that year, or nearly 14 percent. The latter amount is about the same as the book value of their holdings at the beginning of 1937. Approximately 80 percent of this total represents farms in the possession of the Federal land banks.

The joint stock land banks, which are in the process of liquidation, continued to reduce their farm real estate holdings during 1940, with disposals exceeding acquirements by approximately $11,000,000, about the same as in 1937. Farms owned by these banks on January 1, 1941 had a book value less than half that in 1934 when their real estate holdings were at a peak. Farm real estate held by insured commercial banks declined about 21 percent, the book value falling from $42,045,000 on January 1, 1940 to $33,373,000 on January 1, 1941. This reduction, however, is less than occurred in 1937.

Three State credit agencies - Department of Rural Credit of Minnesota, Bank of North Dakota, and Rural Credit Board of South Dakota - which are in process of liquidating their loans, as a group showed a further decline in real estate owned. The Bank of North Dakota, however, continues to acquire more farm real estate than it sells.

DEVELOPMENTS IN TENANT-PURCHASE LOAN PROGRAM

Several developments of interest have occurred in the Tenant-Purchase Program of the Farm Security Administration since an article on this program was published in the November 1939 issue of the Agricultural Finance Review. These changes involve principally the method of financing the program, limitations on the price of farms eligible for purchase, methods provided for repayment of loans, and the progress in the operations of the program.

Financing the Program

Direct appropriation by Congress was the method employed for financing the operations of the program during the first 3 years, 1938-40. Such appropriations amounted to 10 million dollars in 1938, 25 million in 1939, and 40 million in 1940. The amount for administrative expenses during each of these years was limited by statute to 5 percent of the appropriations. Instead of a direct appropriation for 1941 and 1942 loan operations, the Reconstruction Finance Corporation was authorized to lend 50 million dollars each year to the Farm Security Administration. Administrative expenses for 1941 and 1942, however, were provided through an annual appropriation of 2½ million dollars.

The Act authorizing the loans to the Farm Security Administration provides that outstanding tenant-purchase loans may be pledged to the Reconstruction Finance Corporation as security. Repayments of interest and principal on tenant-purchase loans, which previously were covered into the Treasury of the United States, are now used, therefore, to retire the RFC

loan. As in the past, the loan funds are to be distributed to the various States and Territories on the basis of the farm population and prevalence of tenancy.

Purchase Price Limitations

Section 1(c) of title I of the Bankhead-Jones Farm Tenant Act provides that no loan shall be made for the acquisition of any farm unless it is large enough to constitute an efficient farm-management unit and to enable a diligent farm family to carry on successful farming. This provision is interpreted by the Farm Security Administration as meaning what is commonly referred to as a family-size farm. The appropriation bills of 1941 and 1942, however, included an additional provision that no farm could be purchased under the Tenant-Purchase Program at a price in excess of the average value of farm units of 30 acres and more in the county, parish, or locality in which the loan is to be made. Therefore, in counties where a large proportion of the farms are more than 30 acres in size, a farm eligible for purchase cannot greatly exceed the average value of farms in the county. Where a large proportion of the farms contain less than 30 acres, it is probable that the value of eligible farms may be larger than the average value of farms in the county.

These bills provided further that the average value of farm units of 30 acres and more shall be determined according to statistics of the Farm Census of 1940 after such statistics become available, but prior to that time may be determined in accordance with such regulations as may be promulgated by the Secretary of Agriculture. The average price of farms finally approved for purchase during the fiscal year ending June 30, 1941, before commitments for property improvements or fees, was $3,713, as compared with $4,392 for the previous fiscal year. The average amount loaned, however, was $5,527 during the fiscal year ending June 30, 1941, as compared with $6,012 for 1940, $5,639 for 1939, and $5,046 for 1938.

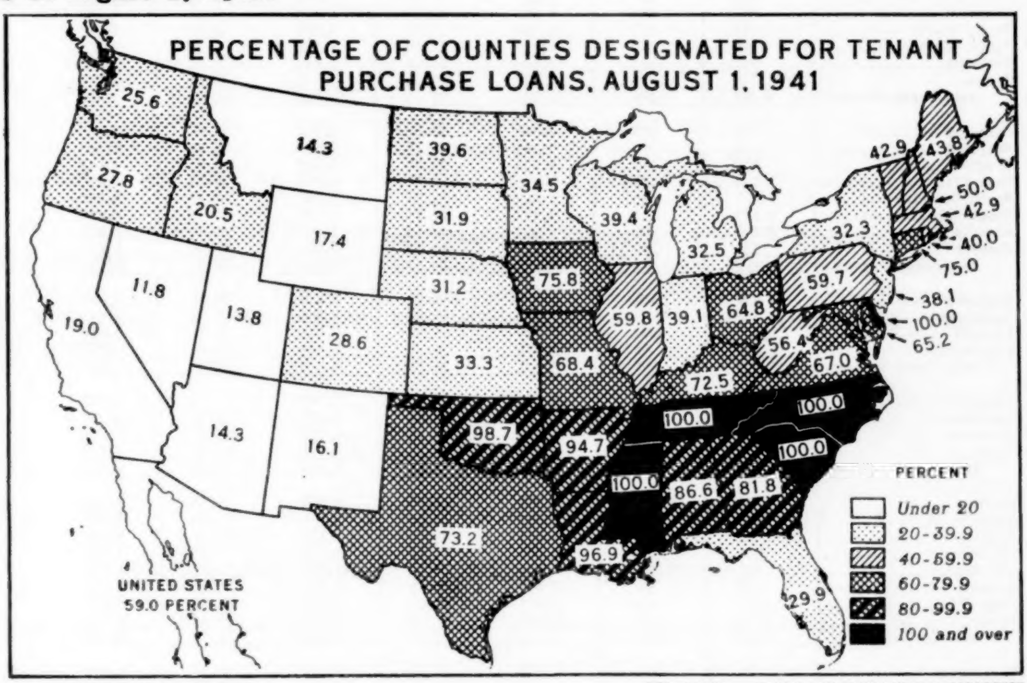
Repayment Method

While the Tenant-Purchase Program continues to have available two methods of repayment - fixed and variable - considerably more emphasis has been placed on the latter, and each borrower whose loan is approved after July 1, 1941, is expected to retire his indebtedness on this basis. Borrowers under the variable repayment plan agree (1) to keep accurate and complete records of their incomes and expenditures, (2) to make such records available to proper FSA representatives, (3) to apply all net cash income toward retirement of the loan when behind regular amortization schedule, and an agreed proportion when ahead of schedule, and (4) to abide by the decision of FSA as to whether retirement of debt under this plan is satisfactory. If unsatisfactory progress is being made, the borrower agrees to change to the fixed-payment plan. To determine whether a borrower is behind or ahead of schedule, his payments are compared with what would have been paid had he paid annually 4.326 percent of the contracted amount. A borrower is not considered delinquent when he is behind schedule, however, unless he fails to pay the amount for which he has been billed.

Under the provisions of section 3(b) of the Bankhead-Jones Farm Tenant Act, and under regulations prescribed by the Farm Security Administration, borrowers may be permitted to defer the payment of principal and interest for the first 1 or 2 years. Deferments, however, are approved only when funds are necessary to increase the income-producing capacity of the farm. Uses for such funds might include clearing, drainage, irrigation, and other farm developments, or producing necessary feed supplies, and building up a livestock enterprise.

Operation

For the 1942 program nearly 60 percent of the counties of the United States and the Territories of Puerto Rico and Hawaii have been designated as eligible for tenant-purchase loans. The percentage of counties designated in each State varies from 11.8 percent in Nevada to complete coverage in five of the States (fig. 1). Of the total counties that have been designated (1,817), 173 were designated for the 1942 fiscal year operations as of August 1, 1941.



U. S. DEPARTMENT OF AGRICULTURE NEG. 39688 BUREAU OF AGRICULTURAL ECONOMICS

Volume of Loans Approved and Outstanding

During the 4 fiscal years ending June 30, 1941, the Farm Security Administration approved or encumbered funds for tenant-purchase loans in the United States and Territories totaling $117,074,752 (table 1). Of this amount, 64 percent was approved in the South Atlantic, East South Central, and West South Central States. The amount of loans outstanding as of June 30, 1941 was $86,133,316, as compared with a total of tenant-purchase loans closed of $88,955,985 and a total of $97,065,189 certified to the Treasury.

Table 1.- Tenant-purchase loans approved: Number of borrowers, average acreage, purchase price, total cost, and amount loaned, by States, fiscal years, 1938-41 1/

State and division	Borrowers	Acreage per sale	Original purchase price 2/		Total cost of properties 3/		Amount loaned	
			Per sale	Per acre	Per sale	Per acre	Per sale	Per acre
	Number	Acres	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Maine	27	128	3,207	25.14	4,146	32.49	4,146	32.49
New Hampshire	7	128	4,719	36.75	5,948	46.32	5,948	46.32
Vermont	20	182	4,999	27.49	5,802	31.91	5,802	31.91
Massachusetts	12	96	4,610	48.02	5,474	57.03	5,442	56.69
Rhode Island	3	25	3,673	146.92	4,911	196.44	4,911	196.44
Connecticut	9	86	6,969	80.82	7,653	88.76	7,564	87.72
New England	78	128	4,470	34.92	5,371	41.96	5,356	41.84
New York	170	148	4,665	31.48	5,516	37.21	5,508	37.16
New Jersey	33	105	7,276	69.03	8,158	77.40	8,158	77.40
Pennsylvania	272	128	5,122	40.12	6,110	47.86	6,104	47.81
Middle Atlantic	475	133	5,108	38.27	6,040	45.25	6,033	45.20
Ohio	347	111	7,032	63.61	8,243	74.57	8,180	74.00
Indiana	257	114	7,887	69.47	9,248	81.46	9,219	81.20
Illinois	388	142	8,948	63.08	10,371	73.12	10,301	72.62
Michigan	184	121	6,456	53.51	7,700	63.83	7,683	63.69
Wisconsin	225	135	6,365	47.28	7,528	55.92	7,481	55.57
East North Central	1,401	125	7,536	60.32	8,831	70.67	8,780	70.27
Minnesota	327	180	7,602	42.21	8,546	47.44	8,465	47.00
Iowa	469	136	8,185	60.25	9,183	67.60	9,053	66.65
Missouri	657	158	4,880	30.85	6,199	39.20	6,190	39.14
North Dakota	192	537	5,164	9.61	6,696	12.47	6,694	12.46
South Dakota	196	519	6,145	11.84	7,566	14.58	7,555	14.56
Nebraska	252	323	8,619	26.66	9,897	30.61	9,865	30.51
Kansas	304	254	7,373	29.03	8,755	34.46	8,738	34.40
West North Central	2,397	246	6,733	27.35	7,968	32.37	7,922	32.18
Delaware	28	127	4,409	34.61	5,307	41.66	5,305	41.64
Maryland	90	148	5,366	36.14	6,370	42.90	6,355	42.80
Virginia	437	141	4,152	29.37	5,423	38.36	5,417	38.31
West Virginia	176	141	4,159	29.54	5,267	37.42	5,265	37.40
North Carolina	1,317	95	3,215	33.73	4,557	47.82	4,554	47.78
South Carolina	1,227	111	2,637	23.75	4,184	37.69	4,180	37.64
Georgia	2,096	125	2,263	18.15	3,828	30.69	3,824	30.66
Florida	189	140	2,219	15.82	4,041	28.82	4,039	28.80
South Atlantic	5,560	117	2,839	24.17	4,306	36.66	4,302	36.62
Kentucky	430	126	6,074	48.26	7,470	59.35	7,450	59.19
Tennessee	792	123	4,112	33.34	5,596	45.38	5,591	45.34
Alabama	1,925	102	2,369	23.30	4,016	39.51	4,009	39.43
Mississippi	1,860	89	2,471	27.71	4,269	47.87	4,269	47.87
East South Central	5,007	103	3,001	29.27	4,657	45.42	4,651	45.36
Arkansas	1,397	95	2,560	26.86	4,427	46.46	4,427	46.45
Louisiana	913	77	2,939	38.08	5,157	66.81	5,155	66.78
Oklahoma	882	187	4,806	25.71	6,235	33.36	6,215	33.25
Texas	1,648	172	5,339	31.11	7,148	41.64	7,133	41.55
West South Central	4,840	135	3,987	29.63	5,821	43.25	5,811	43.18
Montana	46	365	6,731	18.46	9,826	26.95	9,826	26.95
Idaho	52	132	7,940	60.27	9,674	73.44	9,673	73.43
Wyoming	20	183	6,473	35.40	9,126	49.91	9,022	49.34
Colorado	101	216	8,128	37.63	9,969	46.16	9,916	45.91
New Mexico	36	282	6,293	22.34	8,857	31.44	8,857	31.44
Arizona	18	58	7,452	128.73	8,141	140.63	8,141	140.63
Utah	26	83	6,495	77.93	7,820	93.83	7,820	93.83
Nevada	4	300	7,851	26.15	8,762	29.18	8,762	29.18
Mountain	303	210	7,372	35.10	9,400	44.75	9,375	44.63
Washington	73	149	6,922	46.39	8,113	54.37	8,090	54.22
Oregon	53	138	7,175	52.15	8,882	64.56	8,878	64.54
California	132	54	7,286	135.07	8,803	163.21	8,803	163.20
Pacific	258	98	7,160	73.00	8,624	87.93	8,616	87.86
UNITED STATES	20,319	135	4,117	30.47	5,673	41.98	5,658	41.88
Possessions 4/	401	34	3,469	102.03	5,254	154.51	5,243	154.21
Total	20,720	133	4,105	30.83	5,664	42.54	5,650	4,243

1/ Calculated from data furnished by Farm Security Administration, initial and supplemental tenant-purchase loans as of Aug. 31, 1941, Supplemental Report No. 8, Finance Division, Sept. 17, 1941.
2/ Based on original purchase price plus fees incidental to purchase.
3/ Includes dwellings, new construction, repairs, other buildings, purchase price, fees, and land improvement.
4/ Hawaii and Puerto Rico.

During the fiscal year 1941 loans totaling $47,984,726 were approved. This is $11,500,000 more than were approved during the fiscal year 1940 and more than double the amount approved during the fiscal year 1939.

The number of loans for which funds have been approved or encumbered is 20,720. This is less than 5 percent of the total number of applications received.

Size of Loans

The average acreage of farms approved in the United States since the beginning of the program is 133. These farms were purchased at an average price of about $4,100. The average size of the loans, however, was nearly $5,700. The difference is accounted for largely by authorized improvements made on the farm (table 1).

The average acreage of farms approved for purchase during the current fiscal year dropped below previous years. It was 128 acres for the 1941 fiscal year as compared with 139, 136, and 130 during the fiscal years 1940, 1939, and 1938, respectively.

In the fiscal year 1941 the average per-acre purchase price was reduced by about 2 dollars under that of the previous fiscal year, but increased expenditures for improvements more than made up for the decrease. In the 1941 fiscal year the cost of property improvement was 32 percent of the total cost, whereas in the preceding fiscal year it was 27 percent.

The decrease in the size and value of farms in the 1941 fiscal year from the level of prior years was fairly uniform over the entire United States except for FSA Region 9, composed of the States of California, Nevada, Utah, and Arizona, where the average size of farms increased from 62 to 68 acres.

RECENT DEVELOPMENTS IN FEDERAL CROP INSURANCE

Crop insurance will be available to cotton growers beginning with the 1942 crop as a result of an amendment to the Federal Crop Insurance Act. Federal crop insurance was first made available to wheat growers on the crop of 1939. Both the plan of insurance and the actuarial basis for arriving at yields and rates for cotton are similar to those now being used in the wheat insurance program. Insurance will be voluntary, and protection against unavoidable losses in yields may be obtained for 50 or 75 percent of the average yield for the farm.

Under the crop insurance plan for cotton, coverage for an individual farm is determined from the average yield on that farm for the years 1934 to 1940, adjusted to reflect the average yield for a representative period. In some areas this will be a 13-year period and in others, where there has been a definite upward or downward trend in yields as a result of changes in farming practice, it will be a 7-year period. Assuming that an average yield of 200 pounds per acre were determined for a farm, coverage under the 75-percent plan would be 150 pounds per acre. Protection against losses in yields of cottonseed is provided along with protection against losses in lint yields by increasing both premiums and indemnities computed for lint cotton by 19 percent. This increase is based on the average relationship between returns from lint and returns from seed.

The premium rate for an individual farm is determined by averaging the 7-year average loss-cost for the farm with the check premium rate for the county. In this computation the farm loss-experience is ordinarily given a weight of 3 and the county check premium rate a weight of 1. The average of the rates assigned to individual farms within a county must equal the county check premium rate. The farm loss-experience for computing rates is the average annual loss-cost per acre that would have been indemnified had the farm been insured. The check premium rate for the county is based upon the county loss-experience for the 13-year period 1928-40.

As in the case of wheat, the State and local AAA committees will administer the program for the Federal Crop Insurance Corporation in the direct contact work with the farmer. The yields and rates for each farm in the county are being determined by the county agricultural conservation committees based upon the production data available. This work is being carried on by the committees under instructions prepared by the Corporation and subject to the approval of the State committee and the Corporation. As soon as the figures are available, each grower will be notified of his coverage and rate and the Corporation will be ready to receive applications for insurance. The filing of an application for insurance and the acceptance by the county committee constitutes a contract to insure the growers' cotton crop provided the coverage and premium rate are those approved by the Corporation. The contract automatically covers the applicant's interest in all cotton crops in the county in which he has an interest at the time of planting.

Use of Commodity Note in Payment of Crop Insurance Premiums

The 1942 crop insurance program provides for the use of a commodity note in the payment of both wheat and cotton insurance premiums. Under this new arrangement the applicant for insurance signs a note payable in bushels of wheat or pounds of cotton at or before maturity date, which is about harvest time. The per-unit price which will apply will be the market price as established by the Corporation at the maturity date or at the time of an earlier payment.

During the first 3 years of the wheat insurance program, premiums were paid in wheat or on the basis of the cash-equivalent price. Cash received in payment of premiums was immediately converted into wheat and all wheat was held in storage pending the payment of indemnities. Under this plan risks resulting from price fluctuations were avoided, but expenditures for storage were considerable, since holdings of the Corporation have ranged from approximately 6½ million to 14½ million bushels of wheat. The new plan, like the one previously used, enables the Corporation to avoid price risks resulting from market fluctuations, but, unlike the old plan, it will not require the carrying of large storage holdings. This plan will effect a saving in the storage and handling of wheat alone of approximately a million dollars annually.

Increased Participation in Wheat Program

Continued progress has been made in the writing of wheat crop insurance, with a substantial increase in the number of farmers insuring their 1942 crop in the winter wheat States. This increase is particularly marked in Michigan, Illinois, Missouri, and Nebraska. Substantial losses were experienced for the 1941 crop in Nebraska and Missouri as a result of the severe winter-kill in November 1940. These two States accounted for approximately one-half of the total indemnities paid on the 1941 crop. Figures showing the schedule of operations for all States are shown in Appendix table 25.

Livestock Insurance.- Premium rates on livestock insurance have recently been revised by the Farmers Mutual Insurance Association of Jackson, Mississippi. Premium rates will vary with the age of the work stock insured, as follows:

Age of animal	Premium rate as percentage of appraised value
3 to 6 years	4
7 to 9 years	5
10 to 14 years	7

Premium rates on breeding sires not over 14 years of age, and on colts 6 months old and over, will be 5 percent of the appraised value. Colts under 6 months and animals over 14 years of age are not insurable.

The Farmers Mutual Insurance Association is a corporation insuring work stock and breeding sires for clients of the Farm Security Administration in Mississippi. Premium rates were formerly 5 percent of appraised value for all animals insured, regardless of age.

BOOK REVIEWS

Ratchford, B. U., American State Debts, Duke University Press, Durham, North Carolina, 1941. Pp. xviii, 629.

This book on State indebtedness is a timely contribution to the literature on public debts, for its comprehensive treatment of the borrowing experiences of the States should be an excellent source of information and interpretation for guidance in the days ahead. The financial problems of the Federal Government in the present emergency are not unlike those faced by the States during the Revolutionary War and by the Southern States during the Civil War. It will be recalled that the role now assigned to the Federal Government in the monetary policy and management of the country were on both those occasions shared with the States. The "penchant of the people for easy money," as the author succinctly puts it, "and the fallacy still fondly cherished... that the cost of a war can be shifted to some far distant future by borrowing," made legislative bodies reluctant to impose adequate taxes, thereby necessitating excessive borrowing, which led to inflation and thus contributed much to the economic dislocation of the country during these emergencies and greatly intensified the difficulties of post-war readjustments.

Beginning with a brief survey of the borrowing experiences of the Colonies, nearly half of the 600-odd pages in the book are devoted to a chronological discussion of State borrowing during the past 160 years. The second half of the book is devoted partly to a treatment of borrowing, by purpose, during the two decades following the World War. In this part the author also discusses at rather great length the legal aspects of State indebtedness, paying particular attention to the development of the "special fund doctrine," which in the past few decades enabled many of the States to get around constitutional limitations on their borrowing powers. In addition, the author devotes one chapter to the economic effects and another to the administration of State debts. With the latter should be mentioned the chapters presenting two valuable case studies, one dealing with "Arkansas, a state that borrowed too much," and the only State to default during the depression of the 1930's, and the other dealing with Tennessee as an illustration of "how a state debt should not be managed."

For the present, and even more for the future, the events described in this book may have some pertinence. Of course, history does not always repeat itself, but there is no reason to believe that the present emergency will not in many respects parallel our past wars. Every one of these, including such minor ones as the Mexican War and the Spanish-American War, was followed by an increase in State expenditures for charges on the debts incurred during the war, for the cost of reabsorbing the ex-soldiers into civilian life and for the cost of assistance to veterans and their depend-

ents. "Compensation" to soldiers for military service has been a tradition in this country. Especially large were the amounts spent for this purpose following the World War when, according to the author, in the 5 years, 1920-24, 22 States borrowed nearly $500,000,000 for bonuses and loans to veterans - an amount which accounted for nearly one-third of all State bond issues during this 5-year period, and for over 12 percent during the 20 years from 1919 through 1938.

Large as this borrowing for soldiers' bonuses and loan funds was, it was exceeded in importance during these two decades by the borrowings for two other purposes, highways and relief, both of which were practically new items in State budgets. In the last century the major purposes of State borrowing, other than for military purposes, were to provide for banks and the building of canals and railroads. The disastrous results of most of these ventures are well known. It is one of the merits of Professor Ratchford's work that it gives a comprehensive and comparative view of these developments from a distant perspective. These developments have had a marked influence on the course of both State expenditures and borrowing. They are still of considerable significance in that they are largely responsible for many of the constitutional restrictions on State expenditures and borrowing, which in the last two decades have accentuated many of the problems accompanying the so-called revenue bond financing of the States.

In the attempt to atone for their past mistakes, many of the States from about the middle of the last century on imposed strict limitations on their activities. The effect on State borrowing is shown in the figures given by the author for the total outstanding indebtedness of the States, which from the nineteenth-century high of $356,000,000 in 1870 dropped to $229,000,000 in 1890. Except for a large contingent debt for local purposes in Massachusetts, this drop continued until a few years after the turn of the century. Since then, however, neither constitutional restrictions nor the memory of past failures has been proof against a change in the trend. From $250,000,000 in 1902 the debts of the States kept increasing until by the end of 1938 they amounted to about $3,000,000,000. Most of this increase took place in the 20 years beginning with 1919, during which period the two items, highways and relief, accounted for 57 percent of all State bond issues.

With the funding and refunding issues included, the bond issues of the States between 1919 and 1938 amounted to nearly 4 billion dollars. About 78 percent of this amount was borrowed for the four items, highways and bridges, relief and veterans, and for rural credit systems in the two Dakotas and Minnesota. In order of importance, highways and bridges topped the list with about 45 percent of the total, followed by relief with about 13 percent, veterans with about 12 percent, and then the rural credit systems with approximately 6 percent.

It would be highly instructive at this time to know what will be the role of the various items in the borrowings of the States in the next 20 years. At best we can but speculate, for 20 years in our fast-moving world is too long for predictions. Who would have dreamed in 1924, for instance, that 10 years later almost 50 percent of all State bond issues would be

made for relief purposes? To this reviewer, however, it appears that borrowing for rural credit systems will not recur, inasmuch as the Federal Government has largely assumed the function of government lending to farmers. Borrowing for veterans, on the other hand, is a distinct possibility, while the recurrence of relief bonds depends partly on how successful we will be in utilizing our resources after our defense efforts. In case we fail in this, there remains the possibility of shifting the entire function of relief to the Federal Government. This possibility is also strong with respect to provisions for soldiers' bonuses.

Borrowing for general government, which includes bonds issued for purposes such as educational institutions, hospitals, prisons and public buildings, constituted only a little over 11 percent of the total in the last two decades, but, as Professor Ratchford points out, borrowing for some items under this heading, along with borrowing for highways and social security, is likely to increase in the future. In the future, he believes that State debts are to play a more important part than in the past because local units are unable to meet the many new demands made upon government and are therefore turning to the States for aid. "As a result," he says, "the States are assuming or subsidizing the financing of public schools, highways, social security, and other functions to a great extent. Some of those functions will necessitate borrowing, but even if they do not, the States will be so hard pressed for funds that they will find it difficult to retire debts."

The financing of highways and bridges, with about 45 percent of the total, was by far the most important cause of State borrowing from 1919 through 1938. About 1.6 billion dollars, or more than 50 percent of the net total indebtedness of the States in 1938, was incurred for this purpose. Of the original amount of $2,270,000,000 borrowed for this purpose, about 40 percent was incurred through the sale of revenue bonds and the assumption of local debts. The assumption of local indebtedness for highway purposes came about in many cases with the formation of State highway systems out of locally constructed and financed roads, while the rest were actually State obligations in everything but name, as they were incurred by the local governments for the States as a device for circumventing constitutional restrictions on State borrowing. Many of the revenue bonds were also a means of evading constitutional restrictions, for in the usual sense of the term these were not really revenue bonds. As generally understood, a revenue bond is financed out of the yield of the enterprise for which it had been incurred. Most of these revenue bonds are so called because certain designated revenues, usually the motor vehicle taxes, are pledged for their retirement. But the raising of these revenues affects the ability of the States to finance their other functions as much as if these bonds were general obligations. Moreover, there is not much doubt that the States would use their general taxing power to finance these bonds in case the designated revenues were not sufficient to meet the required amounts.

Highways and bridges are likely to continue as an important cause of State borrowing, but according to the author "it is not likely that further large amounts will be incurred through the assumption of local debts," although, he asserts, "the use of revenue bonds ... may increase." In view

of the tendency for the States to extend their highway systems and to take over the function of road construction and maintenance from local authorities, this writer is inclined to regard with skepticism the first part of this prediction. It seems that there may be more assumption of such debts unless many of the States amend their constitutions so that they will be able to issue their own bonds directly rather than through local authorities. The increase in revenue bonds for highways, as well as for other purposes, may serve to perpetuate one of the worst features of State financing in the past two decades - inadequate control over the issuance and management, and the relatively high interest cost, of these types of bonds.

Professor Ratchford deplores the use of this type of bond, asserting that it "is a confession that we are not willing to learn from experience," but his remedy does not appear to this reviewer as a very promising solution of the problem. Instead of doing away with constitutional limitations, which to a large extent have been responsible for this problem, he would merely adjust these limitations so as to tie the borrowing power of the States to a percentage of their past revenue receipts. This formula would be too inflexible to meet the needs of State governments in times of emergency, especially if the outstanding debt before the emergency was close to the limit allowed. There is no satisfactory substitute for intelligent and conscientious public officials in managing public affairs. The author recognizes this in his comment on the New England States, which, he says "do not have limitations and apparently do not need them since ... their legislatures have shown they can exercise the borrowing power with discretion."

Professor Ratchford makes an interesting attempt at analyzing the distribution of State borrowing in relation to various economic characteristics of the States. He finds that population growth, industrialization, income received, and motor vehicle registration in the period 1920-37 were associated with borrowing to a significant extent. Such correlations appear to be reasonable, but are of doubtful validity because of the wide differences among the States in the methods used in financing their various activities. Some use the so-called revenue bonds in financing bridges, while others, as for example Ohio in recent years, employ for this purpose true revenue bonds, which, with a few exceptions, are left out of Professor Ratchford's figures on highway and bridge bond issues. What is more significant, in some States local governments carry on functions which in others are carried on by the State. For dependable results in a study of the relationship between economic factors and public borrowing, it would seem necessary to apply the author's method of analysis to borrowings for a given purpose by all units of government.

Joseph Rosa,
Agricultural Economist.

Hart, Albert Gailord and Allen, Edward D. (in collaboration with the Economics Staff of Iowa State College). <u>Paying for Defense</u>. The Blakiston Company, Philadelphia, 1941, pp. viii, 275.

The main appeal of this book to the average reader is likely to be the comprehensive frontal attack made on the central problems of paying for defense. The authors have attempted to come to grips with basic problems involved in financing a defense program of major proportions, and in so doing have not hesitated to take a definite stand on a large number of controversial questions. The style is simple and straightforward, and there is a thread of consistency running through the several parts that reflects extensive thought on the defense financing problem as a whole.

It is true that few of the ideas presented will be new to those who have worked extensively in this field, but this need not detract from the usefulness of the book. At a time when "compartment thinking" on these problems is likely to be in the ascendancy, it is refreshing to have an organized body of thought that attempts to attack the problem as a whole rather than separate aspects in piecemeal fashion.

The first four parts of the book attempt to present answers to four major questions: (1) How far can we safely rely on expansionary financing? (2) How much nonexpansionary financing can be done by borrowing? (3) What kinds of taxes should we use? and (4) How to make fair taxes block inflation? Part V is a review of war finance abroad, covering Germany, Great Britain, Canada, and Japan; and Part VI outlines briefly a program for defense financing.

Particularly appealing to the reviewer is the effort made throughout the book to look beyond the mere financial aspects of various measures to the fundamental economic problems - shifting the production pattern, altering the distribution of income, and expanding output where needed. There must inevitably be disagreement among competent students on such questions as the relative efficacy of banking and currency measures, price controls, rationing, voluntary loans, compulsory loans, and various forms of taxation, as instruments for harnessing our economic efforts for national defense. By dealing forthrightly with such questions, the authors will have performed a very useful and timely service, even though they should accomplish no more than to focus attention on fundamental problems.

The range of subject matter covered is too broad to permit brief summarization. But some indication of the scope of subject matter can be indicated by selected quotations. "Considerations of tax justice indicate that additional American taxes should be designed to fall principally on the middle and upper income brackets, with particular attention to incomes at the lower end of the present income tax scale and just below it" (p. 11). "The defense effort itself will be much the same in physical terms whether or not financing leads to inflation, and whether or not revenue measures are fair" (p. 23). "To maintain a general price ceiling without wholesale evasion it is necessary either to have a stringent and sweeping rationing system or to drain away spending power by taxes or other non-expansionary

financing" (p. 71). "There is no reason to expect that government expansionary financing can be offset by monetary action" (p. 73). "This basic cost of defense is the same whether funds are secured by borrowing or taxation" (p. 81). "Thus it would appear that if a general sales tax were to be enacted, it should be either a manufacturers' sales tax or a retail sales tax" (p. 119). "Taxes which are ample in amount to drain off spending power may yet be ineffective in blocking inflation if collections are not prompt" (p. 163).

The four chapters dealing with defense financing in foreign countires are largely descriptive. Perhaps somewhat more attention might have been given specifically to possible adaptations of the methods used elsewhere to our own problems of defense financing. That this was not done may be explained in part by the large number of collaborators in the study, and the difficulties of effective synthesis in such cooperative endeavors. Some unevenness of treatment of different topics may also stem from this same situation.

But in view of the breadth of the subject covered, the authors are to be commended on the skill with which they have woven facts and ideas into a compact, readable volume. The book should find wide use among general readers, college classes, and discussion groups.

Donald C. Horton,
Senior Agricultural Economist.

Burroughs, R. J. (with collaboration of Patton, H. S.) Experience of Michigan Rural Banks with Short-Term Loans to Farmers. Michigan Agricultural Experiment Station, Section of Economics, Special Bulletin 311. 80pp. East Lansing, Michigan. August 1940.

This study of the experience of Michigan rural banks in making short-term loans to farmers during the period 1928-37 is based on a study of the accounts of sample borrowers from 9 selected banks and a questionnaire survey of 110 banks in the State. Early chapters classify sample loans according to size, purpose, security, interest charges, and other loan terms, and relate the loans to the tenure of borrowers and to the type and size of their farms. Subsequent chapters are devoted to seasonal and cyclical variations in the use of credit, the liquidity of bank loans to farmers, and a comparison of farm customers' loans with other bank loans and investments.

The evidence of Burroughs' study indicates that "the risk of losing interest or principal on the type of farm customers' loans ordinarily made by Michigan banks appears negligible," although he notes that there were wide variations in the length of time required for the complete repayment of loans, and that renewals were required in connection with 40 percent of

the loan cases. However, in collating the findings of this study with those of various other studies of bank loans to farmers, the apparent risklessness of loans in Michigan needs to be qualified. Farm-mortgage loans were excluded from the Michigan study. Many loans were segregated in special trust accounts and some losses may have been incurred on these loans even though they were not acknowledged during the period covered by the survey.

The study also indicates that the liquidation record of loans was related to the type of farm enterprise conducted by the borrower, the purpose for which loan proceeds were used, the size of the loan, and the phase of the economic cycle in which the loan originated. Burroughs excluded from this part of his study loans originating prior to or outstanding at the end of the survey period, thus including only those loans that were repaid during the survey years. The average size of these loans was considerably smaller than the loans included in most other bank studies, over half of the loans averaging less than $100. The resulting records of loan repayments may have been influenced to some extent by these factors.

Approximately 87 percent of the 2,283 separate loans studied were repaid within 1 year, and 85 percent of the 1,784 sample borrowers cleared all their obligations to the bank within 1 year. According to the terminology used in the study, these individual loans and borrowers' loan accounts were liquid. However, only 60 percent of the 2,283 separate loans were paid in full at maturity without renewal, and more than one renewal was involved in over one-fifth of the renewal cases. In numerous instances loans were actually renewed as many as 20 to 30 times. Burroughs therefore suggests that country bankers might give more attention to the feasibility of making loan terms correspond more closely with the period of loan need and of requiring periodic installment payments on loans.

Attaining a position more consistent with true liquidity would result, in many cases, in an extension of the period of repayment. It might also of necessity force some reduction in the volume of lending, particularly if borrowers should be required to "clean up" their obligations at least once a year. Many Michigan country bankers, according to Burroughs, considered that they would not have sufficient business to operate at a profit under these circumstances, and that they would have to depend more on outside investments in order to maintain earnings. However, there is evidence in this and other studies that losses on outside investments, particularly in certain types of long-term obligations, have been greater than on customers' loans. Consequently, the possibilities for regaining the volume of loans which might otherwise be lost seem to lie in uncovering profitable sources of business that could meet the standards imposed. Michigan banks are encouraged by Burroughs actively to seek to expand good loans, and to participate in loans on stored farm products under purchase agreements with the Commodity Credit Corporation. They are also counseled to participate indirectly in agricultural financing by purchasing obligations of the various federally sponsored credit agencies, if outside investments are needed to supplement local loans.

Willard O. Brown,
Associate Agricultural Economist.

Southworth, S. D. and Chapman, J. M. Banking Facilities for Bankless Towns. 75pp. Issued by the American Economists Council for the Study of Branch Banking, P. O. Box 467, Grand Central Annex, New York, N. Y. 1941.

Southworth and Chapman see large numbers of "bankless towns" either left without banking facilities through the elimination of more than 20,000 banking offices between 1921 and 1933 or unserved by the remaining 18,500 offices. Concluding that cooperative credit associations, cash depositories and various other attempted solutions do not constitute any contribution to the problem in the long run, they suggest that laws governing branch banking should be liberalized to permit the establishment of branches or branch offices (even limited or part- time offices) in a large number of small cities and towns now without banking facilities whenever sufficient business is available to make such offices self-supporting. According to the information presented on the income and costs of operating small branches, deposits of $200,000 and loans of $100,000 would be required as a minimum for profitable operation.

The authors point out the advantages of banking facilities to the smaller community in transacting business, in attracting a substantial volume of trade, and in strengthening its economic position. They also emphasize that "to meet this threat," (gradual encroachment of other agencies upon the field of lending) "the banks will be well advised to consider the possibilities of establishing branches in areas where loan business is still available, for in this period of vastly excessive reserves, it is clear that branches are needed from the bankers' point of view, not so much for the collection of deposits as for the profitable utilization of funds already on hand."

This study is one of a series advocating extension of the principle of branch banking. With its main thesis there is no objection on the part of the reviewer. It should be recognized, however, that eliminating banklessness through the provision of deposit and short-term commercial loan facilities will not necessarily meet the need for credit facilities in many agricultural communities unless these banks provide credit suited to the requirements of farmer-borrowers.

Those in the field of agricultural credit will note that the study does not include the system of production credit associations in the discussion of cooperative credit institutions. Over 500 of these local associations, together with their field offices and other local representatives, are currently furnishing farmer-members with credit facilities, but without deposit and checking privileges. An appraisal of this Nation-wide system of production credit would seem pertinent to the study of problems of bankless towns, along with the consideration of residential cooperative associations in Nebraska and cooperative banks in Arkansas.

Willard O. Brown,
Associate Agricultural Economist.

Members of the Staff, Board of Governors of the Federal Reserve System. Banking Studies. August 1941, pp. v-x, 496.

This volume is made up of 17 essays prepared by various members of the administrative divisions of the Board of Governors of the Federal Reserve System. The papers were written under the general supervision of a Staff Editorial Committee consisting of Dr. E. A. Goldenweiser, Elliott Thurston, and Bray Hammond.

Written in nontechnical style, the series of essays presents a broad picture of banking and monetary developments with particular reference to the functioning of the Federal Reserve System in that setting. The scope of the discussion is indicated by the essay titles: Historical Introduction, Federal Banking Legislation, Currency System of United States, Banking Structure of United States; Branch, Chain, and Group Banking; Credit and Savings Institutions Other Than Banks, Commercial Bank Operations, Supervision of the Commercial Banking System, Policy and Procedure in Bank Examination, Public Nature of the Reserve Banks, Operations of the Reserve Banks, Deterrents to Membership in the Reserve System, Money System of United States, Monetary Controls, Work of the Board of Governors; System Organization: Determination of Credit Policy; and Instruments of Federal Reserve Policy.

As indicated in the preface, it is difficult in a field as controversial as that of money and banking for an author to remain entirely neutral. On the whole, however, the authors have succeeded in maintaining a rather objective viewpoint, relying chiefly on the presentation of facts. The method of allocating a special segment of the field to each author has led to some duplication of facts which probably would have been eliminated had these papers been written as a unified manuscript. Nevertheless, as each author has specialized in his particular field, the whole volume carries a sense of authoritativeness which frequently is lacking in other books on money and banking.

The book will be found extremely useful to those who wish a quick review of the functioning of our currency and banking structure. It should be particularly useful as reference reading for courses in money and banking.

Norman J. Wall,
Head, Division of Agricultural Finance.

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STATISTICAL APPENDIX

The Agricultural Finance Review follows the policy of restricting the statistical appendix in the November issue to current data. The May issue, however, continues to carry more complete tables showing comparative data for earlier years. The numbering of the tables below follows that of the May 1941 issue, although some of the tables which appeared in that issue have been omitted entirely. Numerical references to footnotes continue to be carried in the abbreviated tables, but in most cases the footnotes themselves appear only in the previous May issue. In certain instances changes in the footnotes necessitate showing them in the present issue. Those not having the May issue may obtain copies by writing to the Bureau of Agricultural Economics.

Table 1.- Farm-mortgage debt: Total outstanding and amounts held by selected lending agencies, United States, 1940 and 1941 1/

Beginning of month	Total farm-mortgage debt	Amounts held by selected lending agencies: Federal land banks and Land Bank Commissioner	Joint stock land banks 2/	Life insurance companies 3/	Commercial banks 4/	Three State credit agencies 5/	Farm Security Administration: Construction of farmstead improvements	Farm Security Administration: Tenant purchase and development 6/
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
1940:								
Jan.	6,909,794	2,583,901	65,719	883,414	534,170	14,823	6,353	32,212
Apr.		2,556,482	61,052		---		6,617	40,500
July		2,537,805	55,060		543,472		6,798	50,653
Oct.		2,514,417	8/ 52,764		---		7,269	60,836
1941:								
Jan.	8/ 6,824,126	2,488,232	48,766	8/ 890,516	8/ 543,408	9/ 13,108	6,917	8/ 65,619
Apr.		2,463,930	45,905		---		7,451	82,353
July		2,437,087	43,630		551,126		6,957	91,396

Table 2.- Short-term loans to farmers held by selected lending agencies, 1940 and 1941 1/

Beginning of month	Commercial banks 2/	Agencies supervised by Farm Credit Administration: Federal intermediate credit banks 3/	Production credit associations 4/	Regional agricultural credit corporations	Emergency crop loans	Drought relief loans	Farm Security Administration 5/	Commodity Credit Corporation 6/
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
1940:								
Jan.	1,094,392	33,354	154,496	8,005	116,775	52,555	276,233	173,027
Apr.	7/	36,326	173,840	7,888	124,072	51,973	289,207	149,855
July	1,182,721	40,033	200,415	7,768	129,548	51,671	320,454	150,196
Oct.	7/	40,901	194,558	7,010	126,522	51,384	319,997	274,726
1941:								
Jan.	9/ 1,281,275	34,102	172,312	9/ 5,855	117,980	50,458	312,946	252,287
Apr.	7/	37,120	195,296	5,691	124,855	49,983	345,207	242,589
July	1,167,204	42,184	221,419	6,658	129,800	49,687	362,907	213,431

Table 3.- Loans to farmers' cooperative organizations held by selected lending agencies, United States, 1940 and 1941

Beginning of month	Agencies supervised by Farm Credit Administration: Federal intermediate credit banks	Banks for cooperatives	Agricultural Marketing Act revolving fund	Rural Electrification Administration	Farm Security Administration 1/	Commodity Credit Corporation
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
1940:						
Jan.	1,835	76,252	20,547	169,122	11,550	26,812
Apr.	1,754	69,311	19,763	2/	12,673	21,234
July	897	62,177	18,200	205,886	13,355	18,895
Oct.	352	73,132	15,739	2/	14,278	19,087
1941:						
Jan.	1,490	74,741	16,461	232,086	15,125	27,931
Apr.	1,332	70,231	15,967	252,913	15,791	26,189
July	689	73,747	15,644	274,467	16,803	23,567

Table 4.- Amount of Federal land bank and Land Bank Commissioner loans closed and estimated amount of farm mortgages recorded by other lenders, United States, 1940 and 1941

Period	Loans closed 1/		Estimated amount of mortgages recorded by other lenders 2/					Total all lenders
	Federal land banks	Land Bank Commissioner	Individuals	Commercial banks	Insurance companies	Miscel-laneous	Total	
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1940:								
Jan. - March	17.0	9.3	63.4	60.1	47.8	20.3	191.6	217.9
Apr. - June	15.8	8.9	56.1	56.2	38.2	20.5	171.0	195.7
July - Sept.	14.6	8.7	46.8	46.7	27.7	22.3	143.5	166.8
Oct. - Dec.	16.5	9.5	59.3	56.9	31.8	18.1	166.1	192.1
1941:								
Jan. - March	21.2	12.1	72.7	64.0	55.7	25.7	218.1	251.4
Apr. - June	16.8	9.7	58.4	55.1	36.9	24.5	174.9	201.4

Farm Credit Administration.

Table 5.- Estimated amount of farm-mortgage debt, by States, Jan. 1, 1910-40

(See table 2, p. 51. Also Agricultural Finance Review, Nov. 1939, pp. 90-92.)

Table 6.- Farm real estate loans held by selected lending agencies, by States, Jan. 1, 1941 1/

State and division	Federal land banks and Land Bank Commissioner 2/	Joint stock land banks 2/ 3/	Life insurance companies 4/
	1,000 dol.	1,000 dol.	1,000 dol.
Maine	9,411	0	1
New Hampshire	1,999	0	0
Vermont	5,887	0	4
Massachusetts	10,588	0	7
Rhode Island	1,776	0	0
Connecticut	9,398	0	3
New England	39,059	0	15
New York	47,619	2,027	212
New Jersey	13,808	317	158
Pennsylvania	25,606	1,628	1,112
Middle Atl.	87,033	3,972	1,482
Ohio	69,379	2,731	30,679
Indiana	84,417	8,709	58,206
Illinois	168,003	5,064	107,423
Michigan	66,922	791	2,962
Wisconsin	111,209	0	9,084
E. N. Cent.	499,930	17,295	208,354
Minnesota	147,333	260	53,575
Iowa	247,679	3,794	196,066
Missouri	55,273	757	57,293
North Dakota	81,227	27	3,673
South Dakota	63,805	312	16,431
Nebraska	140,358	1,136	41,465
Kansas	121,763	38	52,599
W. N. Cent.	857,438	6,324	421,102
Delaware	1,156	0	29
Maryland	10,758	75	2,302
Virginia	31,172	202	3,896
West Virginia	9,966	471	612
North Carolina	33,055	3,626	9,868
South Carolina	22,640	841	2,289
Georgia	36,219	1,452	10,247
Florida	17,083	0	658
South Atl.	162,049	6,667	29,901
Kentucky	44,002	132	15,354
Tennessee	38,203	0	12,288
Alabama	36,111	881	2,213
Mississippi	33,869	439	18,519
E. S. Cent.	152,185	1,452	48,374
Arkansas	22,618	1,220	13,364
Louisiana	23,979	105	6,094
Oklahoma	48,079	246	25,817
Texas	234,386	6,995	87,489
W. S. Cent.	329,062	8,566	132,764
Montana	26,696	132	2,188
Idaho	34,869	2	6,762
Wyoming	13,464	877	145
Colorado	34,510	1,404	2,791
New Mexico	11,102	0	1,297
Arizona	10,738	0	1,582
Utah	18,994	5/	301
Nevada	3,491	0	341
Mountain	153,864	2,415	15,407
Washington	39,269	221	14,188
Oregon	35,400	869	6,764
California	132,943	0	12,165
Pacific	207,612	1,090	33,117
UNITED STATES	2,488,232	6/ 48,766	890,516
Puerto Rico	11,282		

Table 7.- Federal land bank and Land Bank Commissioner loans: Amount outstanding, principal repayments, other deductions, and loans closed, 1940 and 1941

Year and quarter	Loans outstanding beginning of quarter	Decreases in loans			Loans closed	Net change in outstanding loans	Loans outstanding end of quarter
		Principal repayments	Other deductions (net) 1/	Total			
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
FEDERAL LAND BANKS							
1940							
Jan. - March	1,904,655	26,707	4,529	31,236	17,013	-14,223	1,890,432
Apr. - June	1,890,432	20,678	5,200	25,878	15,854	-10,024	1,880,408
July - Sept.	1,880,408	22,999	5,442	28,441	14,730	-13,711	1,866,697
Oct. - Dec.	1,866,697	27,028	5,134	32,162	16,683	-15,479	1,851,218
1941							
Jan. - March	1,851,218	29,777	7,256	37,033	21,319	-15,714	1,835,504
Apr. - June	1,835,504	27,393	7,053	34,446	16,880	-17,566	1,817,938
LAND BANK COMMISSIONER							
1940							
Jan. - March	690,880	16,808	5,694	22,502	9,339	-13,163	677,717
Apr. - June	677,717	12,016	5,818	17,834	8,967	- 8,867	668,850
July - Sept.	668,850	14,905	3,653	18,558	8,725	- 9,833	659,017
Oct. - Dec.	659,017	17,455	2,901	20,356	9,635	-10,721	648,296
1941							
Jan. - March	648,296	17,643	3,087	20,730	12,117	- 8,613	639,683
Apr. - June	639,683	15,108	4,191	19,299	9,734	- 9,565	630,118

Farm Credit Administration.

Table 8.- Estimated amount of interest charges payable on farm-mortgage debt, by geographic divisions, 1939 and 1940 1/

Geographic division	1939	1940	Geographic division	1939	1940
	1,000 dollars	1,000 dollars		1,000 dollars	1,000 dollars
New England	9,739	9,867	East South Central .	16,996	17,040
Middle Atlantic	20,868	20,588	West South Central .	43,714	43,094
East North Central ..	67,151	65,982	Mountain	23,659	23,350
West North Central ..	106,482	102,518	Pacific	41,989	42,007
South Atlantic	20,115	19,772	United States ...	350,713	344,218

Table 9.- Average rates of interest on farm-mortgage debt, by States, Jan. 1, 1910-40

(See Agricultural Finance Review, May 1941, pp. 61-62.)

Table 10.- Agricultural loans held by insured commercial banks, by States, on specified dates, 1941 1/

State and division	Farm real estate loans		Personal and collateral loans	
	Jan. 1	July 1	Jan. 1	July 1
	1,000 dollars		1,000 dollars	
Maine	1,741	1,815	1,808	1,927
New Hampshire	623	628	887	899
Vermont	8,133	7,800	3,271	3,338
Massachusetts	1,304	1,264	1,943	1,858
Rhode Island	127	450	95	90
Connecticut	1,309	1,431	1,858	1,727
New England	13,237	13,388	9,862	9,839
New York	14,808	14,728	30,792	29,548
New Jersey	4,503	4,702	5,366	6,155
Pennsylvania	26,975	26,986	20,603	19,659
Middle Atlantic	46,286	46,416	56,761	55,362
Ohio	41,381	42,265	30,734	29,506
Indiana	22,869	23,161	31,494	31,610
Illinois	24,254	24,879	79,025	70,713
Michigan	15,827	16,742	20,554	21,681
Wisconsin	25,298	26,163	24,219	26,621
East North Central	129,629	133,210	186,026	180,131
Minnesota	20,153	20,339	81,663	63,962
Iowa	46,425	47,390	100,244	116,710
Missouri	19,779	19,975	69,143	54,120
North Dakota	1,165	1,128	28,335	14,636
South Dakota	2,047	2,059	26,843	26,554
Nebraska	7,627	7,657	61,455	60,262
Kansas	2/ 10,821	10,751	2/ 69,389	51,759
West North Central	2/108,017	109,299	2/437,072	388,003
Delaware	3,402	3,444	614	622
Maryland	9,853	10,137	4,250	4,366
District of Columbia	77	59	15	2
Virginia	16,699	16,853	13,477	14,207
West Virginia	5,530	6,525	3,006	3,161
North Carolina	8,493	9,342	7,970	10,653
South Carolina	1,674	1,805	6,028	6,672
Georgia	7,238	7,649	25,756	17,418
Florida	3,033	2,798	5,004	3,631
South Atlantic	55,999	58,512	66,120	60,732
Kentucky	24,054	24,553	17,262	16,266
Tennessee	12,907	13,405	39,866	36,782
Alabama	5,303	5,520	18,521	19,819
Mississippi	8,271	8,373	11,379	13,124
East South Central	50,535	51,851	87,028	85,991
Arkansas	3,511	3,920	17,158	15,304
Louisiana	6,314	7,015	25,131	17,818
Oklahoma	4,321	4,387	40,227	37,791
Texas	10,707	10,601	137,810	109,158
West South Central	24,853	25,923	220,326	180,071
Montana	1,001	1,033	23,354	16,508
Idaho	1,303	1,305	14,443	12,246
Wyoming	948	1,090	12,188	13,635
Colorado	2,598	2,416	28,687	24,541
New Mexico	561	606	6,557	8,038
Arizona	852	691	9,670	10,962
Utah	2,862	2,995	10,459	9,492
Nevada	398	381	1,763	1,757
Mountain	10,523	10,517	107,121	97,179
Washington	5,009	5,459	18,883	17,407
Oregon	2,089	2,086	12,809	11,725
California	97,231	94,365	79,267	80,764
Pacific	104,329	101,910	110,959	109,896
UNITED STATES	2/ 543,408	551,126	2/ 1,281,275	1,167,204
Possessions 3/	118	98	7	5

Table 11.- Short-term and intermediate-term loans to farmers by production credit associations and private financing institutions discounting with Federal intermediate credit banks, by States, outstanding on specified dates, 1941

State and division	Production credit associations		Private financing institutions 1/	
	Jan. 1	July 1	Jan. 1	July 1
	1,000 dollars		1,000 dollars	
Maine	855	1,030	352	463
New Hampshire	193	226	0	0
Vermont	1,106	1,172	208	239
Massachusetts	626	768	0	0
Rhode Island	419	388	0	0
Connecticut	1,487	1,302	35	24
New England	4,686	4,886	595	726
New York	5,975	7,381	14	2/
New Jersey	1,234	1,676	2	50
Pennsylvania	3,049	3,474	0	2/
Middle Atlantic	10,258	12,531	16	50
Ohio	6,893	6,877	993	1,001
Indiana	7,068	7,862	678	575
Illinois	10,739	10,630	1,018	991
Michigan	2,408	2,643	202	168
Wisconsin	5,833	6,359	956	1,052
East North Central	32,941	34,371	3,847	3,787
Minnesota	6,233	6,209	1,737	1,715
Iowa	5,562	5,495	540	530
Missouri	6,362	7,328	706	714
North Dakota	1,090	1,410	1,241	1,283
South Dakota	3,247	3,794	152	216
Nebraska	3,687	4,501	289	232
Kansas	4,158	4,201	159	162
West North Central	30,339	32,938	4,824	4,852
Delaware	265	332	0	0
Maryland	1,709	1,909	0	0
Virginia	2,457	3,222	112	117
West Virginia	1,012	1,146	0	0
North Carolina	1,338	7,219	0	263
South Carolina	661	4,539	0	51
Georgia	2,176	6,750	0	0
Florida	4,355	3,029	358	40
South Atlantic	13,973	28,146	470	471
Kentucky	3,924	3,987	44	66
Tennessee	3,220	3,609	117	247
Alabama	1,673	3,056	247	298
Mississippi	2,670	7,804	650	3,139
East South Central	11,487	18,456	1,058	3,750
Arkansas	2,095	5,152	260	1,266
Louisiana	2,389	5,376	568	1,354
Oklahoma	4,047	4,678	1,942	2,310
Texas	15,871	23,637	10,919	11,745
West South Central	24,402	38,843	13,689	16,675
Montana	7,287	8,947	363	366
Idaho	5,202	4,861	297	288
Wyoming	1,717	2,137	702	810
Colorado	4,441	5,410	512	804
New Mexico	2,400	3,173	569	1,359
Arizona	1,859	2,316	55	794
Utah	1,873	1,984	2,345	3,050
Nevada	1,358	1,202	21	34
Mountain	26,137	30,030	4,864	7,505
Washington	2,198	2,419	998	574
Oregon	4,916	5,437	48	89
California	9,349	11,846	2,707	3,627
Pacific	16,463	19,702	3,753	4,290
UNITED STATES	170,686	219,903	33,116	42,106
Puerto Rico	1,626	1,516	986	78

Farm Credit Administration.

Table 12.- Emergency crop and feed loans held by the Farm Credit Administration, and rural rehabilitation loans held by the Farm Security Administration, by States, for selected dates, 1941

State and division	Emergency crop and feed loans 1/		Rural rehabilitation loans 2/	
	Jan. 1	July 1	Jan. 1	July 1
	1,000 dollars		1,000 dollars	
Maine	679	800	4,471	5,071
New Hampshire	29	37	930	994
Vermont	43	64	896	922
Massachusetts	48	67	508	536
Rhode Island	3/	1	155	158
Connecticut	24	34	322	307
New England	823	1,003	7,282	7,988
New York	203	300	4,301	4,604
New Jersey	53	93	1,121	1,284
Pennsylvania	576	726	3,060	3,502
Middle Atlantic	832	1,119	8,482	9,390
Ohio	346	391	6,759	7,377
Indiana	378	403	5,535	5,818
Illinois	255	295	7,054	7,302
Michigan	663	634	6,205	7,014
Wisconsin	1,631	1,621	7,650	8,173
East North Central	3,216	3,344	33,223	35,684
Minnesota	7,943	8,041	11,023	12,204
Iowa	518	529	7,416	7,174
Missouri	2,374	2,376	13,442	14,405
North Dakota	42,778	43,362	10,166	10,945
South Dakota	29,117	29,124	15,331	16,950
Nebraska	7,910	8,071	12,815	13,982
Kansas	9,653	9,692	11,456	12,605
West North Central	100,293	101,195	81,649	88,265
Delaware	64	78	132	161
Maryland	350	410	770	949
Virginia	1,936	2,475	3,535	4,200
West Virginia	385	422	2,935	3,347
North Carolina	1,561	2,577	5,100	7,991
South Carolina	2,102	3,677	7,155	8,086
Georgia	2,406	3,901	14,129	16,574
Florida	1,626	1,590	5,605	5,928
South Atlantic	10,430	15,130	39,361	47,236
Kentucky	1,156	1,219	4,075	4,757
Tennessee	967	1,239	2,452	3,159
Alabama	1,863	2,517	14,982	17,895
Mississippi	1,765	2,393	11,360	16,732
East South Central	5,751	7,368	32,869	42,543
Arkansas	3,291	3,997	12,219	16,049
Louisiana	1,472	2,178	6,616	10,288
Oklahoma	2,721	2,777	15,736	17,678
Texas	11,437	12,843	22,756	27,846
West South Central	18,921	21,795	57,327	71,861
Montana	13,627	13,777	7,425	8,254
Idaho	913	973	5,417	6,338
Wyoming	2,120	2,139	6,701	7,624
Colorado	3,968	4,076	10,386	11,602
New Mexico	2,723	2,911	3,051	3,447
Arizona	224	262	1,246	1,535
Utah	1,317	1,324	3,901	4,262
Nevada	41	42	423	470
Mountain	24,933	25,504	38,550	43,532
Washington	1,774	1,230	4,978	5,525
Oregon	368	413	3,226	3,488
California	504	706	5,839	7,029
Pacific	2,646	2,349	14,043	16,042
UNITED STATES	7/ 167,862	9/ 178,818	312,786	362,541
Possessions 8/	576	669	160	366

9/ Includes $11,220 not allocable by States.

Farm Credit Administration and Farm Security Administration.

Table 13.- Farm Security Administration loans outstanding, by types of loans, by States, July 1, 1941 1/

State and division	Loans to individuals			Loans to cooperatives
	Rural rehabilitation	Construction of farmstead improvements	Tenant-purchase and development	
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Maine	5,071	82	70	3
New Hampshire	994	0	24	96
Vermont	922	0	81	0
Massachusetts	536	0	56	0
Rhode Island	158	0	4	0
Connecticut	307	0	49	0
New England	7,988	82	284	99
New York	4,604	158	584	278
New Jersey	1,284	0	232	304
Pennsylvania	3,502	65	1,169	770
Middle Atlantic	9,390	223	1,985	1,352
Ohio	7,377	126	2,551	18
Indiana	5,818	46	2,166	112
Illinois	7,302	0	3,492	10
Michigan	7,014	31	1,188	34
Wisconsin	8,173	12	1,291	54
East North Central	35,684	215	10,688	228
Minnesota	12,204	62	2,684	2
Iowa	7,174	0	4,105	22
Missouri	14,405	18	3,641	744
North Dakota	10,945	12	880	288
South Dakota	16,950	13	1,021	16
Nebraska	13,982	0	2,127	153
Kansas	12,605	53	2,346	57
West North Central	88,265	158	16,804	1,282
Delaware	161	0	91	0
Maryland	949	0	431	0
Virginia	4,200	0	1,806	72
West Virginia	3,347	0	685	2,649
North Carolina	7,991	526	4,205	1,340
South Carolina	8,086	117	3,732	129
Georgia	16,574	183	6,561	468
Florida	5,928	129	496	258
South Atlantic	47,236	955	18,007	4,916
Kentucky	4,757	221	2,567	0
Tennessee	3,159	116	3,478	1,095
Alabama	17,895	254	5,088	1,188
Mississippi	16,732	855	5,254	1,051
East South Central	42,543	1,446	16,387	3,334
Arkansas	16,049	1,254	4,360	1,722
Louisiana	10,288	177	3,044	1,541
Oklahoma	17,678	171	4,745	0
Texas	27,846	462	10,700	573
West South Central	71,861	2,064	22,849	3,836
Montana	8,254	1,012	367	695
Idaho	6,338	182	425	216
Wyoming	7,624	22	155	0
Colorado	11,602	331	940	75
New Mexico	3,447	0	280	46
Arizona	1,535	0	146	252
Utah	4,262	38	108	117
Nevada	470	0	26	23
Mountain	43,532	1,585	2,447	1,424
Washington	5,525	128	462	0
Oregon	3,488	101	436	0
California	7,029	0	1,047	128
Pacific	16,042	229	1,945	128
UNITED STATES	362,541	6,957	91,396	16,599
Possessions 2/	366	0	2,079	204

Farm Security Administration.

Table 14.- Tenant-purchase loans approved by Farm Security Administration: Number of borrowers, acreage, cost of properties, and amount of loans, by States, from organization to Jan. 1, 1941

(See Agricultural Finance Review, May and Nov. 1939, May 1940, and May 1941.)

Table 15.- Commodity Credit Corporation: Cotton, corn, wheat, and other loans made, by States, 1940 and cumulative since organization

(See Agricultural Finance Review, May 1941.)

Table 16.- Commodity Credit Corporation: Loan and purchase operations from date of organization through June 1941, and loans outstanding and commodities owned, July 1, 1941

Commodity and year produced	Loans: Total made 1/	Loans: Outstanding July 1, 1941: Held by Corporation 2/	Loans: Outstanding July 1, 1941: Held by banks and others	Loans: Outstanding July 1, 1941: Total	Commodities: Unit	Commodities: Total pledged for loans or purchased 1/	Commodities: Held July 1, 1941 as security for loans 3/	Commodities: Owned by Corporation July 1, 1941: Quantity 4/	Commodities: Owned by Corporation July 1, 1941: Book value 4/ 5/
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars		1,000 units	1,000 units	1,000 units	1,000 dollars
Cotton: 6/									
1940	153,140	29,055	13,498	42,553	Bale	3,180	874	0	0
1939	1,324	421	0	421	do.	30	9	0	0
Previous 7/	887,939	40,350	24,788	65,138	do.	16,736	1,307	6,126	359,027
Total	1,042,403	69,826	38,286	108,112	do.	19,946	2,190	6,126	359,027
Corn:									
1940	62,425	817	57,369	58,186	Bushel	102,449	95,499	0	0
Resealed 1938 and 1939	0	126,754	0	126,754	do.	0	193,249	0	0
1939	171,818	110	6	116	do.	301,837	218	8/201,858	8/145,843
Previous 9/	299,023	338	0	338	do.	595,913	497	8/	8/
Total	533,266	128,019	57,375	185,394	do.	1,000,199	289,463	201,858	145,843
Wheat:									
1941	174	51	123	174	do.	177	177	0	0
1940	200,818	4,355	17,003	21,358	do.	278,314	31,297	168,816	148,388
Previous	166,573	5,038	0	5,038	do.	253,439	6,934	343	530
Total	367,565	9,444	17,126	26,570	do.	531,930	38,408	169,159	148,918
Tobacco: 10/									
1940, flue cured	37,712	6,137	0	6,137	Pound	181,331	31,769	148,437	35,735
1940, other	7,076	8,120	0	8,120	do.	61,528	60,398	546	105
1939, flue cured	33,989	0	0	0	do.	173,778	0	151,872	32,608
1939, other	959	469	0	469	do.	8,119	4,723	2,530	507
Previous	9,569	0	0	0	do.	75,382	0	0	0
Total	10/ 89,305	14,726	0	14,726	do.	10/ 500,138	96,890	303,385	68,955
Peas and vetch: 1940	11/ 1,665	0	0	0	do.	11/ 45,411	0	0	0
Barley: 1940	2,355	67	902	969	Bushel	7,361	3,027	0	0
Butter:									
1940	19	0	0	0	Pound	66	0	0	0
Previous	32,137	0	0	0	do.	127,100	0	0	0
Dates: 1937	61	0	0	0	do.	1,533	0	0	0
Figs: 1937-39	260	0	0	0	Ton	14.6	0	0	0
Grain sorghums: 1940	19	1	12	13	Bushel	65	48	0	0
Hops: 1938	1,388	823	0	823	Pound	7,077	3,714	0	0
Peanuts:									
1940	1,867	347	0	347	Ton	29.4	12/ 10.5	0	0
Previous	13,119	0	0	0	do.	220.8	0	0	0
Pecans: 1938	371	21	0	21	Pound	3,705	3	0	0
Prunes:									
1940	5,383	5,145	0	5,145	Ton	89.4	86.2	0	0
Previous	2,754	0	0	0	do.	78.9	0	0	0
Raisins:									
1940	5,146	415	0	415	do.	109.2	12/ 38.5	0	0
Previous	3,933	13/ 230	0	13/ 230	do.	128.1	0	0	0
Rye:									
1940	1,594	116	1,335	1,451	Bushel	4,236	3,858	0	0
1939	567	168	0	168	do.	1,500	375	79	43
Wool and mohair:									
1938 and 1939	16,830	0	0	0	Pound	93,978	0	0	0
Naval stores:									
1941, rosin	555	557	0	557	Barrel	53	53	0	0
1940, rosin	6,046	4,615	0	4,615	do	527	386	0	0
1940, turpentine	628	612	0	612	Gallon	2,940	2,737	0	0
Previous, rosin	20,417	9,018	0	9,018	Barrel	1,975	775	0	0
Previous, turpentine	6,858	62	0	62	Gallon	23,945	848	0	0
Total naval stores	34,504	14,864	0	14,864		-	-	0	0
Miscellaneous commodities 14/	26,746	0	0	0		-	-	-	26,746
Grand total	2,183,257	244,212	115,036	359,248					4/749,532

1/ Loans made directly by Commodity Credit Corporation and guaranteed loans made by banks and other lending agencies. Excludes renewals, extensions, and storage advances. Includes purchases as indicated in footnotes 10 and 11.
2/ Includes disbursements by the Corporation for certain charges, including storage.
3/ Includes collateral for loans held by the Corporation and by banks and others.
4/ The Corporation also owned 91,556 long tons of rubber, with a book value of $31,771,000, delivered pursuant to the cotton-rubber barter deal with the United Kingdom.
5/ Includes unpaid accrued charges.
6/ Redemptions immediately preceding July 1, 1941, but not reflected here, are estimated at 550,000 bales of 1938 cotton, 1,000 bales of 1939 cotton, and 545,000 bales of 1940 cotton.
7/ Includes $51,416,000 of loans to the Cotton Producers' Pool in 1933 and 1934. The number of bales involved is excluded from the quantities placed under loan.
8/ Includes corn of the 1937, 1938, and 1939 crops, which cannot be shown separately.
9/ Excludes about 6,000,000 bushels of 1937 corn placed under loan during 1938 resealing program.
10/ Tobacco figures include purchases as follows: 149,095,000 lbs. dry weight of 1940 flue-cured, $32,170,000; 173,778,000 lbs. green weight of 1939 flue-cured, $33,989,000; and 3,124,000 lbs. dry weight of 1939 and 1940 dark tobaccos, $545,000.
11/ Purchases only.
12/ Collateral overstated; repayments received but collateral not released.
13/ Collateral liquidated but proceeds tied up by litigation.
14/ Foodstuffs purchased for use in lease-lend operations or for domestic distribution.

Based on reports of Commodity Credit Corporation.

Table 17.- Rural Electrification Administration: Loans made and number of rural consumers connected, from organization to Jan. 1, 1941

(See Agricultural Finance Review, May and Nov. 1938, May and Nov. 1939, May 1940, and May 1941.)

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Table 24.- Farmers' mutual fire insurance, by States, 1938

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Table 25.- Wheat crop insurance, by States, crops of 1941 and 1942 1/

Wheat area and State 2/	Crop harvested in 1941					Crop for harvest in 1942	
	Number of contracts	Amount of premiums 3/	Production insured	Indemnities paid		Number of farms insured 4/	Amount of premiums 3/
				Number	Amount 3/		
	Number	Bushels	Bushels	Number	Bushels	Number	Bushels
Soft Red Winter:							
New York	1,001	7,701	183,174	121	7,233	1,330	10,536
New Jersey	165	1,285	37,843	9	502	66	327
Pennsylvania ..	7,280	47,736	1,308,170	1,064	53,308	7,487	50,788
Ohio	33,958	335,267	5,069,969	3,133	108,057	41,770	394,406
Indiana	35,504	371,719	5,182,058	1,067	34,833	36,685	375,315
Illinois	38,065	496,316	7,323,956	5,526	441,179	45,328	744,594
Michigan	15,345	112,669	2,171,309	1,963	76,309	34,166	217,890
Missouri	25,179	340,127	4,405,475	13,468	1,635,001	42,151	650,457
Delaware	583	5,257	128,420	69	4,330	802	8,085
Maryland	1,735	20,269	528,508	125	7,976	2,471	31,531
Virginia	2,523	23,459	552,342	432	19,155	2,761	22,843
West Virginia .	88	892	16,857	15	897	362	1,599
North Carolina	457	2,748	61,110	29	1,073	49	161
Kentucky	615	9,944	116,309	28	907	943	12,765
Tennessee	210	2,041	30,632	17	464	1,902	10,441
Arkansas	38	347	7,406	15	1,223	47	141
Area total ..	162,746	1,777,777	27,123,538	27,081	2,392,447	218,320	2,531,879
Hard Red Winter:							
Iowa	7,428	110,318	1,288,669	5,103	685,418	9,951	178,872
Nebraska	63,234	2,648,084	14,401,148	44,191	7,061,474	73,605	3,211,551
Kansas	58,325	3,277,041	20,257,283	20,680	2,770,466	58,494	2,779,653
Oklahoma	25,046	812,573	7,748,990	10,084	1,231,061	28,226	1,183,030
Texas	9,831	1,006,011	4,053,322	5,522	1,776,550	11,438	1,155,466
Wyoming	1,521	147,662	559,188	89	13,892	792	78,460
Colorado	5,878	413,134	1,612,359	614	88,979	3,465	316,142
New Mexico	256	33,462	114,263	83	54,885	411	60,971
Utah	3,513	67,863	938,549	183	14,345	5,716	178,037
Area total ..	175,032	8,516,148	50,973,771	86,549	13,697,070	192,098	9,142,182
Hard Red Spring and Durum:							
Wisconsin	707	4,689	50,249	326	11,069	2,885	19,649
Minnesota	15,435	268,572	2,693,619	5,279	377,448	8,819	101,665
North Dakota ..	19,738	1,171,131	6,650,327	652	144,933	218	16,720
South Dakota ..	14,192	935,612	2,842,448	3,632	517,608	6,819	461,920
Montana	3,247	444,234	1,993,581	168	37,973	2,400	404,078
Area total ..	53,319	2,824,238	14,230,224	10,057	1,089,031	21,141	1,004,032
White:							
Idaho	11,087	236,472	4,838,613	978	258,116	6,233	273,522
Arizona	170	2,969	87,317	92	28,769	89	628
Nevada	103	2,023	33,960	22	1,607	18	276
Washington	4,449	241,296	5,492,493	437	132,860	5,050	360,295
Oregon	5,512	229,019	4,020,389	1,236	127,924	5,587	294,144
California	2,771	190,174	2,456,102	1,287	728,744	1,568	223,101
Area total ..	24,092	901,953	16,928,874	4,052	1,278,020	18,545	1,151,966
UNITED STATES ...	415,189	14,020,116	109,256,407	127,739	18,456,568	450,104	13,830,059

1/ Interim report as of November 15, 1941, subject to revision.
2/ Based on principal class of wheat grown.
3/ Premiums and indemnities are determined in bushels of wheat, although transactions may be made in the cash equivalent.
4/ Comparable to "Number of contracts" in previous years. A farm is included twice where both owner and operator insure their interest in the crop.

Federal Crop Insurance Corporation.

Table 26.- Advances to farmers for wheat crop insurance premiums by the Secretary of Agriculture out of payments to be earned under the agricultural conservation program, crop years 1939, 1940, and 1941

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Table 27.- Farm real estate: Index numbers of estimated value per acre, by States, selected years, 1912-41

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Table 31.- Farm debt adjustment activities, by States, Sept. 1, 1935 to Dec. 31, 1940

(See Agricultural Finance Review, May 1939,
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Table 32.- Index numbers of demand deposits of country banks, 1940 and 1941 1/
(Index 1924-29 = 100)

Year and month	Twenty leading agricultural States 2/		Seven Corn Belt States 3/	Eight cotton growing States 4/	Eight range States 5/
	Unadjusted	Adjusted for seasonal variation			
1940:					
September .	122.2	122.7	138.0	111.5	124.8
October ...	125.3	123.0	139.9	117.9	130.5
November ..	128.7	126.1	142.5	124.0	136.5
December ..	129.6	127.8	144.7	125.8	138.5
1941:					
January ...	132.4	130.1	148.4	128.0	134.1
February ..	133.4	131.6	149.0	129.1	133.9
March	133.9	132.7	150.3	130.4	131.9
April	136.3	136.4	154.0	132.5	132.3
May	136.9	138.8	154.3	131.8	132.3
June	137.9	141.3	156.9	130.2	131.2
July	141.3	145.2	159.9	131.4	132.2
August	144.3	148.0	163.4	133.9	135.2
September .	151.0	151.6	170.4	143.2	142.3

Table 33.- Cash farm income, indexes of prices paid by farmers, prices received by farmers, and rural retail sales, 1940 and 1941

Year and month	Cash farm income 1/	Prices paid by farmers (1910-14 = 100)	Prices received by farmers (Aug.1909 - July 1914=100)	Rural retail sales 2/ (1929-30 = 100)
	Million dollars	Percent	Percent	Percent
1940:				
September ..	908	122	97	128
October	3/ 1,126	122	99	122
November ...	942	122	99	138
December ...	842	123	101	146
1941:				
January	754	123	104	146
February ...	3/ 632	123	103	151
March	681	3/ 124	103	149
April	704	124	110	165
May	771	125	112	162
June	798	128	118	163
July	904	129	125	178
August	1,121	131	131	209
September ..	4/ 1,325	133	139	174

Table 34.- Interest rates charged on new loans and discounts by institutions under supervision of the Farm Credit Administration, Dec. 31, 1933-40

(See Agricultural Finance Review, May 1941.)

Table 35.- Bond yields and interest rates, 1940 and 1941

Year and month	Yield on long-term Federal farm loan bonds 1/	United States Government bonds 2/	Industrials 3/	Rates on commercial paper (4-6 months) 4/	Federal reserve bank discount rates, New York 4/
	Percent	Percent	Percent	Percent	Percent
940:					
March	1.83	2.25	3.09	0.56	1.00
June	2.07	2.39	3.25	.56	1.00
September .	1.64	2.18	3.10	.56	1.00
December ..	.93	1.89	2.93	.56	1.00
1941:					
March	1.26	2.01	3.02	.56	1.00
June	.84	1.91	2.96	.56	1.00
September .	.87	1.94	2.88	.50	1.00

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